Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.900	Israel	Shk4.50	Philippines	Pes40
Belgium	BFr60	Italy	L2200	Poland	Zl 15,000
Cyprus	C£1.00	Jordan	JD1.25	Portugal	Esc175
Denmark	DKr12	Korea	Won 2500	Qatar	QR9.00
Egypt	E£3.00	Kuwait	Fils.500	S.Arabia	SR9.00
Finland	FM12.00	Lebanon	[illegible]	Singapore	S$4.10
France	FFr8.00	Lux	LFr60	Spain	Pta175
Germany	DM2.60	Malta	45 cents	Sweden	SKr13
Greece	Dr200	Morocco	MDH12	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bt50
Iceland	IKr130	Nigeria	Naira15	Tunisia	Din2.000
India	Rs25	Norway	NKr12.00	Turkey	L3000
Indonesia	Rp3700	Oman	OR1.20	UAE	Dh9.00

EUROPE'S BUSINESS NEWSPAPER

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Friday June 28 1991

D 8523A

EC SUMMIT

High drama ahead in Luxembourg

Page 16

World News | **Business Summary**

Poles unveil plans to privatise 400 factories

Poland unveiled its scheme for privatising 400 state-owned factories. They represent 25 per cent of the country's industrial sales. Page 18

Calvi case reopens

An Italian magistrate is to open a new investigation into whether "God's Banker", Roberto Calvi, found hanging under a London bridge in 1982, was murdered or committed suicide. Page 3

Justice Marshall quits

Liberal US Supreme Court Justice Thurgood Marshall, 82, announced his retirement, giving President George Bush an opportunity to appoint another conservative. Justice Marshall is the first and only black on the bench of the court.

Delors avoids clash

European Commission president Jacques Delors said he would not be seeking confrontation with the UK at today's European summit. "You cannot organise an ambush for a member country", he said. Page 18

Teargas used in Kiev

Soviet police used teargas and batons as they sealed off the Ukrainian parliament in Kiev against crowds protesting at a proposed new union treaty with Moscow. Page 2

Hanoi picks party chief

Vietnam's Communist party chose prime minister Do Muoi as its new secretary-general and elected a younger 13-man Politburo. Page 4

Conscripts crisis

Soviet defence minister Dmitry Yazov was quoted as saying the country's armed forces were falling apart because the assertive republics were withholding conscripts. Smelling a CIA rat, page 2

Four to die for murder

Mombasa magistrates sentenced four men to death for the murder of Kevin Purcell Hynes, a British teacher, during a robbery three years ago.

EC packaging protest

The international packaging industry lodged an official complaint with the European Commission over a German law which, it claims, will distort trade between member states. Page 18

Air France strike threat

Air France pilots said they would strike on July 19 and 20 over the state airline's refusal to reinstate the leader of their trade union.

Israelis seized

A little-known Kashmiri Moslem organisation claimed responsibility for kidnapping a group of Israelis on Srinagar's Dal Lake. One of the Israelis was killed.

Helicopter deaths

Four people were killed when a French rescue helicopter crashed into a river near Brest after striking a power cable.

Pope answers critics

Pope John Paul hit back at critics who say the Vatican is flush with material wealth. He said it had a duty to preserve precious works of art for future generations.

British TSB bank group loses £150m

TSB Group, the British banking company, plunged into a £150m ($246m) loss, far exceeding the most pessimistic forecasts. Losses were mainly at Hill Samuel, the merchant bank which TSB bought four years ago, and which has borne the brunt of the recession. Hill Samuel had to make £344m of provisions for bad debts, pushing it into a loss of £319m. Page 19; Lex, Page 18; Tale of diversity, Page 19

BUNDESBANK president Karl Otto Pöhl warned large flows of subsidies from west to east Germany could spark inflation because the transfer of funds is not being matched by extra production east of the Elbe. Page 18

ROTHMANS International, tobacco and luxury goods group, lifted annual pre-tax profits by 21 per cent from £484.5m ($794.6m) to £542.5m helped by a rise in tobacco sales. Page 19; Lex, Page 18

BTF Gmbh: Bernard Tapie, French financier who last year paid an estimated FFr2bn ($330m) to take control of the Adidas sporting goods group, is planning to open up the capital of the German holding company to its managers and institutional investors. Page 19

BPB Industries, Europe's biggest plasterboard manufacturer which is involved in a bitter price war in the UK, France and Germany, announced plans to raise £125.5m ($205.8m) through a rights issue. The UK company announced a 28 per cent fall in annual pre-tax profits from £126.4m to £90.8m to the end of March. Page 20; Lex, Page 18

ENDESA, Spanish government-controlled utility, is to increase its shareholding in Sevillana, the private generator that supplies southern Spain, to 33.5 per cent, paving the way for a reorganisation of the fragmented domestic electricity sector. Page 20

BANK of Japan, the country's central bank, will no longer set formal guidelines on lending growth by Japanese commercial banks. The quarterly advisory is being scrapped because of the successful deregulation of Japanese financial markets and the improvement of monetary discipline at the banks. Page 24

TATE & Lyle, UK sweetener group, moved to the brink of control of Australian sugar miller, Bundaberg Sugar, when a second wave of acceptances pushed its holding to 45 per cent. It had given shareholders a deadline of 5pm today to deliver 50 per cent, or it would abandon its bid. Page 22

ANZ, Australian banking group, rejected an unsolicited offer by stockbroker BZW to place the bank's 5.6 per cent stake in retailer Coles Myer. Page 22

COPPER: Thousands of miners at Chuquicamata, the world's biggest copper mine, voted overwhelmingly to begin strike action on Monday unless the Chilean state copper company Codelco improves its pay offer. Page 29

Weekend FT

Tomorrow: Teddy Taylor, Britain's quintessential anti-European

●

The soggy story of the first week at Wimbledon

Yugoslav forces guard borders with Italy, Austria and Hungary

Army moves to seal Slovenia

By **Laura Silber** in Novo Mesto, Slovenia, and **Judy Dempsey** in Zagreb, Croatia

YUGOSLAV army tanks and armoured units moved to seal off Slovenia's borders with Italy, Austria and Hungary yesterday as the international community took the first steps towards mediation between the federal government and the rebel republic.

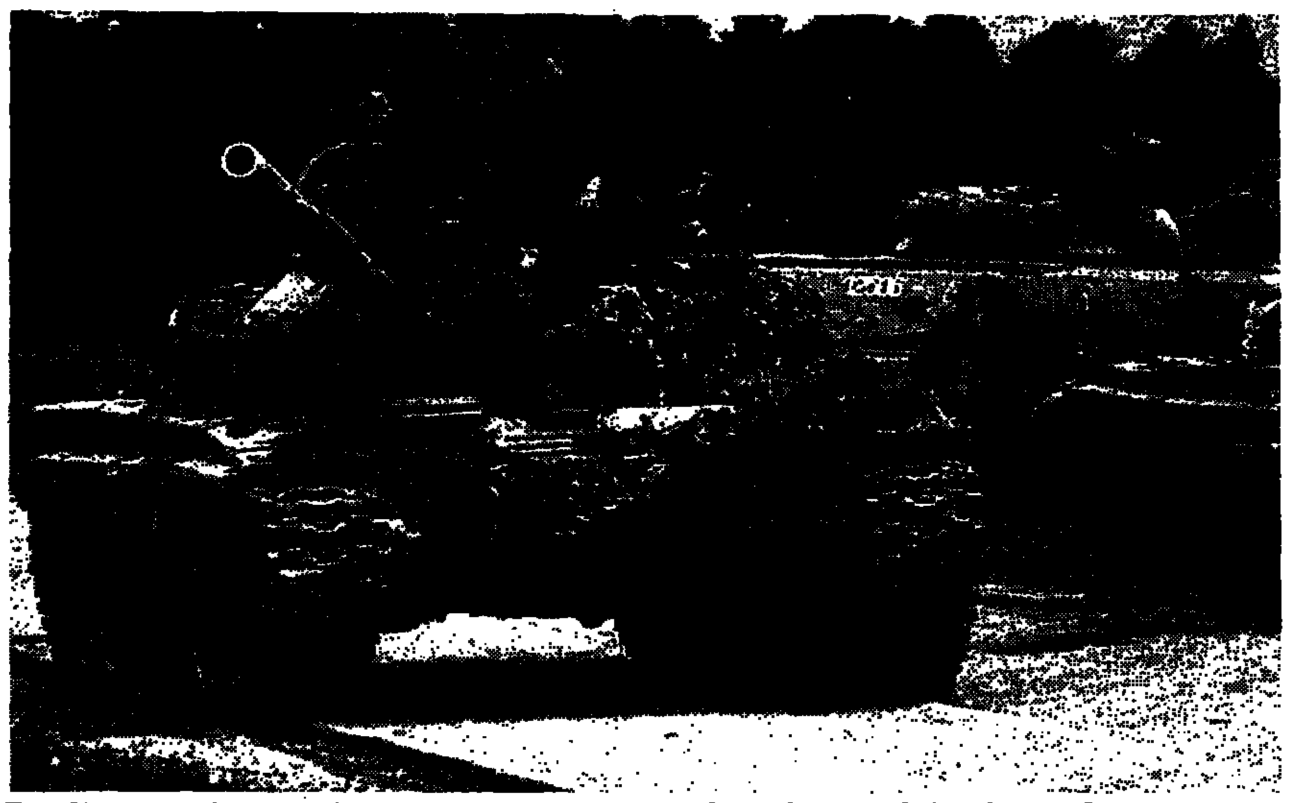
A Yugoslav army officer was killed in one of a series of armed clashes with Slovenian territorial defence units in which several Slovenian troops and two civilians were also reported injured. The worst clash came when the army took control of Ormoz station near the border with Hungary.

Air force jets flew low over Ljubljana, the Slovene capital, and columns of federal government tanks spread out through the Alpine republic of 2m people.

The Slovene government vowed to defend its newly won independence, which it had declared on Tuesday night. Mr Milan Kucan, president of the republic said: "Slovenia will use all means at its disposal to preserve its independence."

Mr Jelko Kacin, Slovenia's minister for information, said no negotiations could take place "until the army action has stopped, and tanks have been withdrawn". But the federal Defence Ministry last night said the Yugoslav army would "carry out its obligations to the end, regardless of the type of resistance".

Mr Ante Markovic, the Yugoslav federal prime minister had earlier offered a three-month truce under which Yugoslav troops would be withdrawn from Slovenia if the rebel republic withdrew its declaration of independence.



Yugoslav army tanks pass a signpost en route to securing the Slovene border with Austria yesterday

General Konrad Kolsek, the commander of the federal Fifth Army Region, which includes Slovenia and Croatia, said yesterday: "The Yugoslav People's Army will secure the borders and will fight according to the rules of conduct in battle".

Slovenia's road and transport network has now been paralysed. The federal aviation authorities closed Slovenia's air space on Wednesday and the airport near Ljubljana is reported to be occupied by Slovenia's special paramilitary forces. Witnesses say federal troops have thrown a security ring around the airport, fuelling speculation that the military may be planning a takeover.

International traffic between Slovenia and Austria and Italy was at a standstill – and it was unclear which border crossing remained open.

The prospect of possibly widespread and bloody confrontation between Yugoslav army units and the rebel republics, which could aggravate ethnic tensions in the area and destabilise the Balkan region, prompted nine west European countries to attempt the first use of new rules for settling countrys' internal disputes. The rules were worked out at the recent Berlin meeting of the Conference on Security and Co-operation in Europe to help prevent conflicts in post Cold War

Continued on Page 18

Yugoslav army stalks stage, Page 3

S Africa to sign non-proliferation treaty

By **Patti Waldmeir** in Johannesburg

THE South African government is to sign the 1970 Nuclear Non-Proliferation Treaty, a move which represents a big boost for the treaty and which could further Pretoria's efforts to combat international isolation.

Foreign minister Mr Pik Botha admitted that South Africa had the capacity to make nuclear weapons but denied that it had ever tested one and declined to confirm or deny whether it had produced one.

Mr Botha also denied that South Africa had ever co-operated with any other state in developing a nuclear weapons capacity.

The need for such weapons no longer existed, he said. "The threat of a conventional military conflict in the South African region involving superpower rivalry has diminished substantially."

Mr Botha the cabinet had approved South Africa's accession to the treaty, which has more than 140 signatories. South Africa has been under pressure to sign the agreement for many years, and the announcement may have been timed to influence the current debate over lifting international economic sanctions against Pretoria.

The South African government has been on the point of acceding to the treaty for at least a year, but appeared keen to derive maximum political benefit from the decision.

Once it signs the treaty, Pretoria will allow inspections of all its nuclear facilities.

Until now, South Africa has allowed safeguards inspections of two plants with French and US technology, but has refused access to the Pelindaba uranium enrichment plant, which can make material needed for nuclear weapons.

The NPT forbids signatories without nuclear arms from acquiring them, and forbids nuclear weapon states from helping them to gain such arms.

The treaty has been weakened by the refusal to participate of countries with significant nuclear capabilities and aspirations, and possessing a range of unsafeguarded installations, such as South Africa.

Earlier this month France agreed to sign, leaving China as the only non-signatory of the original nuclear powers when the treaty was drawn up. Concern remains about a small number of key countries outside the treaty – Israel, India, Pakistan, Argentina and Brazil – which have a range of installations.

Anti-apartheid campaigners have alleged that South Africa and Israel have co-operated on nuclear research and that Pretoria has had a nuclear weapons programme since the mid-1970s.

Two highly publicised incidents have been taken as evidence of this.

In 1977 there was a satellite sighting showing a possible nuclear testing site in the Kalahari Desert. There were also signs of what might have been a small nuclear explosion in the south Atlantic where a South African naval force was operating, detected by a US satellite.

Recently, a number of southern African states have either signed the treaty or indicated their willingness to do so.

This has raised the prospect of creating what Mr Botha called a "nuclear weapons-free zone" in the region.

Heads bow and a face is slapped at Japan's gang show

By **Robert Thomson** in Tokyo

THE ANNUAL farce of Japanese shareholder meetings yesterday had the regular cast of hustlers and hecklers, but executives of many financial institutions were forced to bow deep and long to apologise to investors for having shamed their companies with scandal.

Mr Yoshihisa Tabuchi, who has just resigned as president of Nomura Securities, lowered his head several times as he explained how Japan's leading brokerage came to have dealings with gangsters and was in the habit of compensating favoured clients unaccustomed to losing money on the Tokyo stock exchange.

Nomura and the many other brokerages and banks entangled in scandal sought to characterise their meetings as the end of what the Japanese call the "bubble" economy and the beginning of an era in which they will be more responsive to the needs of ordinary investors.

But the conduct of yesterday's 1,737 general meetings suggested that real change is far away. The number of meetings was a record, Japanese companies crowding them together in the hope of avoiding problems from gangsters who traditionally extort money from executives frightened that a few hoods will suddenly appear on the share register.

The gangsters still made an impact. A gentleman who last year tossed a whisky bottle at a steel company executive, this year slapped a bank president's face. He preceded the slap with long, absurd and embarrassing questions, focused on "bad manners" and the walking style of Mr Mitsuo Imose, president of Toyo Trust and Banking.

At Itoman, the trading house surrounded by scandal, another gentleman wore a costume made famous by "moonlight man", a Japanese television hero of two decades ago, and carried a placard condemning the company's executives. Several amplifier-packed vans, owned by extreme right-wing groups, circled the building and demanded that the entir board resign.

The scene was more sedate at Nomura, which was fortunate to have many of the company faithful in the front rows. After Mr Tabuchi gave a

Continued on Page 18

EC anti-dumping ruling against Saudi group reversed by court

By **David Gardner** in Brussels

THE EUROPEAN Court of Justice in Luxembourg, in a very rare decision reached yesterday, has overturned anti-dumping duties imposed by the EC on a Saudi Arabian petrochemicals exporter.

The judgment, against the EC Council as the institution which legally endorsed the European Commission's recommendations in the case, turns on the inadequate provision of information to the penalised company. This, the Court concluded, amounted to the denial of a fair trial.

The Commission had feared that the case might lead to greater disclosure obligations, along the lines of North American legal practice. In the event, the Court signalled only that Brussels would have to tighten up its procedures.

The Advocate General of the Court, when he handed down his opinion on the case in February, had acknowledged there was a controversy and conflict between preserving the confidentiality of commercial information used in anti-dumping cases, and ensuring a fair hearing. But he then outlined US and Canadian procedures, and their "possible transposition to Community law".

Under North American practice, confidential information can be disclosed to a complainant's lawyer under a so-called "protective order system".

In the EC, only the principles of how an anti-dumping duty is calculated are made available.

Yesterday's decision has not followed the Advocate General's line.

But the Court has served notice that Brussels must tighten up its procedures because current rules do not provide guarantees to complainants that exist elsewhere.

The complaint was brought against the Commission and Council by the Al-Jubail Fertiliser Company (Samad), and the Saudi Arabian Fertiliser Company (Safco), joint ventures set up by the Saudi Basic Industries Corporation.

They contested 40 per cent anti-dumping duties imposed on imports of urea – a nitrogen fertiliser and glue component – from Saudi Arabia in November 1987.

The Court ruled there was nothing in the evidence to show that "Community institutions discharged their duty to place at the applicants' disposal all the information which would have enabled them effectively to defend their interests".

It added that the EC had to be "all the more scrupulous in view of the fact that, as they stand at present, the rules in question do not provide all the procedural guarantees for the protection of the individual which may exist in certain national legal systems".

Commission officials acknowledge that procedures were sloppy in this case, and say they have tightened up since it was brought. Some of the information provided to the Saudi companies was sent only by unregistered letter and was therefore disqualified as evidence. In 1979, Brussels failed to meet EC disclosure requirements in an anti-dumping case involving NTN Toyo Bearing of Japan.

CONTENTS

Algeria's president embarks on rocky path to democracy

As renewed violence in Algiers earlier this week showed, no one should doubt the difficulty of the task that President Chadli Bendjed (left) has set himself, namely holding fair and free elections. Page 17

MARKETS

STERLING
New York lunchtime: $1.634
London: $1.633 (1.6395)
DM2.93 (2.9275)
FFr9.94 (9.935)
SFr2.53 (2.53)
Y225.5 (225.75)
£ index 89.7 (89.7)

GOLD
New York: Comex Aug $367.9 (367.9)
London: $366.5 (364.2)

N SEA OIL (Argus)
Brent Aug $18.425 (+0.075)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime: DM1.79335
FFr6.0825
SFr1.5475
Y137.9
London: DM1.794 (1.785)
FFr6.0875 (6.06)
SFr1.549 (1.5435)
Y138.05 (138.3)
$ index 67.7 (67.5)
Tokyo close: Y138.65

US lunchtime rates
Fed Funds $5\frac{13}{16}$%
3-mo Treasury Bills: yield: 5.72%
Long Bond: $96\frac{1}{16}$
yield: 8.48%

STOCK INDICES
FT-SE 100: 2,452.5 (+15.2)
FT Ordinary: 1,912.0 (+10.5)
FT-A All-Share: 1,176.68 (+0.5%)
New York: DJ Ind. Av. 2,932.02 (+19.01)
S&P Comp 373.32 (+1.73)
Tokyo: Nikkei 23,543.03 (−223.35)

LONDON MONEY
3-month Interbank: $11\frac{9}{32}$% ($11\frac{1}{4}$)
Liffe long gilt future: $89\frac{7}{16}$ ($89\frac{3}{8}$)

Parliament of second-largest Soviet republic adjourns discussion of new union pact until the autumn

Ukraine puts paid to Gorbachev treaty hope

By Chrystia Freeland in Kiev

THE UKRAINIAN parliament yesterday voted to adjourn discussion of the draft union treaty on the future shape of the Soviet Union until September 15. This effectively blocks the second-largest republic from signing the agreement until autumn at the very earliest.

The decision is a blow to President Mikhail Gorbachev, who wants the treaty setting *out terms of a new federation* to be signed by mid-July. Mr Gorbachev was also hoping to be able to show western leaders at the G7 summit in London next month that Moscow was firmly in control and that negotiations on the new treaty were proceeding smoothly.

Nationalist demonstrators encircled the Ukrainian parliament yesterday as the vote took place. Three-quarters of the communist-dominated parliament voted for adjournment.

Several of the nine republics which signed an April 23 agreement with the Kremlin to form a renewed union have since ratified the draft treaty. However, the Ukrainian action may encourage Mr Boris Yeltsin, president of the Russian republic, to advise his parliament not to endorse the deal when it comes up for debate next week. Mr Yeltsin has voiced serious reservations about the treaty.

The republic's decision to delay debate on the treaty rather than to reject it, typifies the Ukraine's current policy of pursuing greater independence as quietly as possible.

Sovereignty-minded Ukrainian leaders have eschewed the more direct tactics of the six republics which have refused outright to sign the treaty. This is partly because of significant pro-union sentiment in parliament and in some Russianised regions of the eastern Ukraine. There are also fears of a Kremlin crackdown against the republic were it to opt openly for independence.

Deputies from the democratic bloc were delighted with yesterday's vote. They oppose the draft treaty because it would give the central government the power of direct taxation and some control over military industry. They also oppose the treaty's plan to limit the republic's right to establish its own army and currency and conduct an independent foreign policy.

Many Democrats had feared the communist majority would try to force the union accord through parliament, ignoring an earlier vote to allow a debate on the treaty only after the Ukraine parliament had voted on its own consitiution.

Last week, Mr Oleksandr Moroz, parliamentary leader of the communist bloc in the Ukraine parliament, said he was considering such a gambit.

However, public pressure seems to have dissuaded the communists from actually voting for the accord, although yesterday Mr Stanislav Hurenko, the hardline first secretary of the Ukrainian communist party, did endorse the draft treaty.

Even as parliament debated the issue, radical Ukrainian students, whose hunger strike forced the republic's prime minister to resign last October, pitched their tents outside the building vowing to begin another hunger strike if parliament failed to postpone discussion of the treaty until September.

For the time being the Ukraine's traditionally orthodox communists are quiescent, but Mr Volodymyr Filenko, a democratic deputy from the eastern industrial city of Kharkov, hinted that Mr Gorbachev might still try to force the Ukrainian parliament to override Thursday's ruling.

Ukrainians suspect that Kiev was chosen as the venue for next week's meeting between Mr Gorbachev and Chancellor Helmut Kohl of West Germany in part to give the Soviet president one last chance to nudge the reluctant Ukrainians into the union.

Police prevent demonstrators entering the parliament in Kiev yesterday

Supreme Soviet conservatives smell a CIA rat

By John Lloyd in Moscow

HARDLINERS in the Soviet leadership have accused President Mikhail Gorbachev of betraying the state's interests and have warned of a CIA-backed plot to destabilise the economy.

Transcripts of speeches by prominent hardliners at a closed session of the Supreme Soviet last Monday show them *blaming him for the disintegration* of the country and the advance of western power.

The president appeared to rout the hardliners with a thundering speech last week. But the transcripts, published yesterday, show they remain powerful and increasingly *desperate as Mr Gorbachev moves* towards devolving large powers to the republics and to institute radical reform. A key test of their strength will come today during a second day of debate on the privatisation bill, bitterly opposed by hardliners and many moderates.

Mr Vladimir Kryuchkov, the KGB chairman, used session to read out a 1977 KGB document addressed to the communist party central committee, which claimed that the CIA had trained agents "whose personal *character and professional abil*ities make them likely to rise to administrative posts within the state bureaucracy".

Once they had risen to high posts they would then be directed to sabotage the Soviet economy, taking advantage of "increasing contacts between *the Soviet Union and the* west," the document said.

Although Mr Kryuchkov did not name him, he clearly had in mind Mr Grigory Yavlinsky, who has drawn up a reform plan in association with US experts. Mr Gorbachev is now considering the plan as a basis for his presentation to the Group of Seven leaders next month. Mr Kryuchkov said this strategy was still active, and "had produced certain results."

Fears of a conspiracy are not limited to the hardliners, how*ever. Mr Yavlinsky himself* said yesterday he feared that those opposed to his project were committing provocations designed to show the west that it should not support Soviet reform. He pointed to the occupation by the special anti-riot OMON troops of the telephone *exchange in the Lithuanian* capital of Vilnius on Wednesday evening, as an example. The Interior Ministry said yesterday the troops had recovered a cache of arms, and had left without incident.

Mr Yavlinsky said at least one demonstration had been directed against him – organised by the ultra-nationalist group Pamyat on Tuesday in Pushkin Square. However, he said it was itself attacked by passers-by.

In the same closed session, *Marshal Dmitri Yazov, the* defence minister, warned that the Soviet Union might suspend the pull-out of troops from east Germany because of lack of accommodation. Already, that withdrawal has been slowed.

He also said that the army *was 353,000 soldiers short*, because of widespread draft evasion in many republics. "Since all the republican presidents demand that Armenians serve in Armenia, Azerbaijanis in Azerbaijan and Ukrainians in Ukraine, we shall soon have no armed forces."

In an interview yesterday in Sovetskaya Rossiya, the paper of the Russian communists, Colonel Victor Alksnis, a leader of the Soyuz Group of deputies, said that aid from the west would be minor, and *would be achie*ved "only by giving up our sovereignty". Following Mr Kryuchkov, he *said* that CIA agents did not work by stealth, but openly, as "agents of influence" of "lobbyists".

Mr Valentin Pavlov, the prime minister, who is also at *work on the president's presen*tation to the G7 leaders in London in July, has been giving conflicting signals about his intentions. He said in a speech to Soviet industrialists on Wednesday that the Yavlinsky programme implied that the Soviet Union had to reach a certain level of reform set by the west, all the while receiving aid strictly conditional on a programme of reform.

"I have my own ideas of how we must move to the market. We must ask ourselves whether we want to switch over to a market dependent on foreign capital, or our own."

In a later interview, however, the prime minister said that the Yavlinsky plan and his own anti-crisis measures differed only in the sequencing of the steps towards the mar*ket. He claimed that "I accept* everything in it ....I would say, we must accelerate our movement because if we don't we shall prolong the agony".

'Jolly Jacques' grabs chance to make history

By David Buchan in Brussels

FOR THE next two days, "Jolly Jacques" Santer, Luxembourg's easy-going prime minister, will chair an EC summit which will discuss some of the *momentous issues the Commu*nity has ever tackled.

Far from being content to preside over a simple "stock taking" session, just recording what the Twelve have been able to agree on in the past six months' negotiations on political and monetary union, Mr Santer gave every sign, in his pre-summit letter to heads of government, of wanting to tackle many of the remaining hard issues.

Saying the summit "must clearly mark our determination and capacity" to proceed towards political and monetary union, the Luxembourg prime minister said he even wanted the summiteers to discuss the controversial issues of security and social policy.

The summit's other Jacques – Mr Delors of the European Commission – said yesterday he had expressly advised the Luxembourg presidency to keep these two issues off the agenda, because on security "views were too far apart", and on social policy "we don't want to organise an ambush for one particular country – Britain".

Ambushes are far from Mr Santer's style. It is not the way *this bon vivant*, consensus politician worked his way up through Luxembourg's civil service in the 1960s and through cabinet office in the 1970s to head the coalition government with the socialists since 1989. "He does not take himself, or other people, too *seriously," comments* a Luxembourg diplomat.

But Mr Santer clearly does not want to miss another chance of writing Luxembourg into the Community history book, as happened when the grand duchy presided over the Single European Act's negotia*tion in 1985. He will want due* acknowledgement of Luxembourg's considerable feat in drafting the 132-page treaty on political and monetary union, with relatively little help from the Commission.

At the same time Mr Santer is a man anxious not to antagonise. He has been known to tell visitors to his office: "No one leaves here unsatisfied." Mr John Major, his UK opposite number, must hope that will be true of the summit.

Most of the workload of the Luxembourg presidency has fallen on his foreign minister, Mr Jacques Poos. A well-groomed socialist, known to some of the union rank-and-file in his party as "Jacques Le Pooseur", the foreign minister has had to pound around the world representing the Community in the past six months, with little of the back-up that his counterparts from larger countries can call on.

Luxembourg's likeable premier has decided to ignore advice about the EC summit from the other Jacques in Brussels

In the Middle East, the flashpoint at the start of Luxembourg's time in the EC chair, the duchy has to rely on the Dutch to represent its interests.

Most observers, however, give first prize for effectiveness to the youthful Mr Jean-Claude Juncker, who doubles up as the duchy's finance and labour minister. Though his efforts to get social directives through the Council largely foundered on Britain's opposition, Mr *Juncker's determination* to get a political pact on indirect tax harmonisation was rewarded earlier this week with an agreement, to which the UK partly subscribed.

Yet the duchy's own citizenry may not be all that pleased with a deal that will *raise Luxembourg's standard* rate of value added tax by three points. That is a matter Mr Juncker may find answered at the next election.

Brussels call to set up EC relief agency

By David Buchan in Brussels

THE European Community should create a humanitarian aid agency to improve co-ordination of aid within the EC budget and with member states, and to reflect the increasing role the EC is playing in international relief operations.

Mr Manuel Marin, the commissioner responsible for development aid, said yesterday the EC executive would formally propose an EC aid agency in mid-July, aimed at rationalising the Ecu800m (£560m) a year the Community gives in humanitarian aid. At present, this aid is governed by seven separate sets of EC legal restrictions.

Speaking before today's summit at which the UK and Germany are expected to propose a strengthening of United Nations relief operations, Mr Marin said: "Before deciding what should be done at the UN, the EC should first get its own house in order."

He complained that the Commission, which had no means of distributing aid itself, was unfairly criticised by non-governmental aid agencies, for not getting supplies to stricken areas in time. A proper EC agency could co-ordinate military transport that could only come from member states, he said.

Mr Marin noted that, although the EC was the biggest single contributor to UN development, food and refugee programmes, none of these world agencies was headed by a European.

● The Commission said yesterday it had approved plans by the metals and packaging group Pechiney to set up a joint venture in the metallurgy sector with French steel giant Usinor Sacilor, Reuter reports from Brussels.

"The market share of this joint company will only be significant in France ....(where) the power of this venture will be counterbalanced by the buyers, the carmakers," the Commission said.

The approval was given following a month-long preliminary inquiry.

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EUROPEAN NEWS

Yugoslavia's army stalking the stage

Many people see the military as a player, not an umpire, reports Anthony Robinson

WITH the passing of Yugoslavia's phoney war, tanks have been sent in to seal off the external borders and mount a display of force to intimidate Croats and Slovenes alike with the tread of armour and the screech of jets overhead.

But the Yugoslav army is ill-equipped to give aid to the civil power and act as arbitrator of last resort in political and ethnic disputes. It is perceived as a player, not an umpire, by many non-Serbian Yugoslavs and regarded with suspicion for ideological reasons by many non-communist Serbs.

Serbs, who make up just more than a third of the total Yugoslav population, constitute 70 per cent of the military officers commanding the 138,000-strong conscript army. Serbia is also home to the bulk of Yugoslavia's substantial military industry while much of the hard currency-earning export potential of the country is in the western republics of Slovenia and Croatia whose declaration of independence sparked off the military intervention.

The army has a clear interest in keeping the two western republics inside a unified Yugoslavia because it is their budget contributions which help to pay their salaries and expensive imports of foreign equipment.

As it was in the Soviet Union, the military was a leading beneficiary of the old system and the officer caste remains one of the last bulwarks of communist nostalgia. Late last year senior officers, such as Admiral Branko Mamula, the long-serving defence minister under Yugoslavia's founding President Marshal Josip Tito, set up a new "League of Communists movement for Yugoslavia" to act as a rallying point for those seeking to preserve the Titoist heritage.

Under President Tito the army was widely perceived as a national institution. Its main role was to defend the country, and its unique national brand of self-management socialism, against real threats – at first from Josef Stalin and later, but less convincingly, from the Brezhnev doctrine of "limited sovereignty" for the socialist states of east and central Europe under Soviet President Leonid Brezhnev.

The collapse of the potential Soviet threat has greatly reduced the need for an army trained and equipped to hold down attacking Soviet armour long enough for its specially-trained units to continue the war from the mountains. It is not an army trained and equipped for riot or police duties.

Increasingly army commanders have had to resist the attempts of Serbian politicians, especially the communist president Slobodan Milosevic, to use the army to further hard-line nationalist policies. These are to cement Serbian control over Kosovo and Vojvodina and to ensure that Serbian enclaves in neighbouring Croatia and Bosnia-Herzegovina are at least protected, and re-integrated into a resurrected Greater Serbia should the Yugoslav state disintegrate.

The risk is that military intervention to keep Slovenia and Croatia within the federation will lead not only to clashes with the armed militias of both republics but also to potentially uncontrollable inter-ethnic violence in the border areas of Croatia and above all in the Serb-Croat-Moslem melting pot of Bosnia.

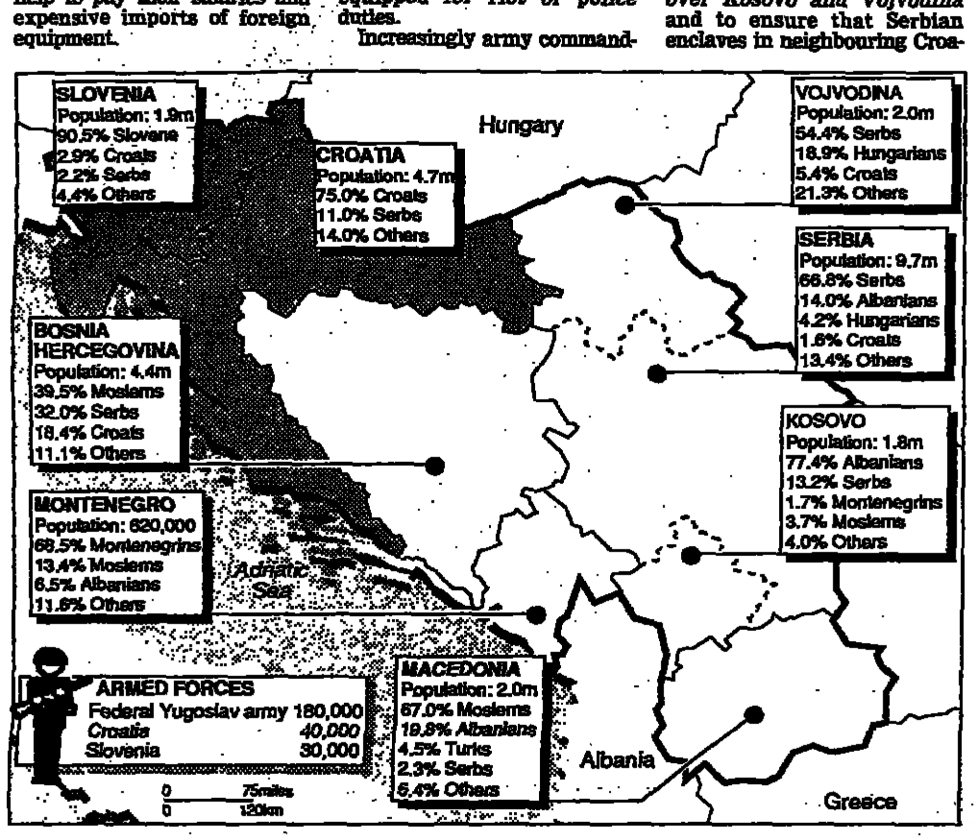
Until now the military has acted with restraint in inter-ethnic clashes, although, inevitably, it has been accused of siding with Serbs in several instances. Officers are only too aware that the conscript soldiers under their command come from all parts of the country, although the ethnic diversity of the troops has been reduced in recent months as dissident republics have refused to allow their men to be conscripted in the Yugoslav army.

Instead they serve in the national militias.

These factors have restrained General Veljko Kadijevic, the defence minister who has been able to rein in hardliners such as General Blagoje Adzic, head of the army chief of staff, who wanted the politicians to declare a state of emergency and allow the military a free hand.

Now the military card is being played. It looks like a gambler's throw to force politicians to reassess the dangers of disunity. But it could go badly wrong.

Slovenian soldiers at a ceremony marking Slovenia's independence from Yugoslavia



French think-tank calls for 'buy European electronics' act

By William Dawkins in Paris

FRANCE'S MAIN official think-tank yesterday called for the establishment of a "buy European" act to encourage public administrations to purchase more European-made electronics equipment.

The proposal is part of a general revival strategy for the European electronics industry tabled by the Commissariat Général du Plan, in response to a request from six government departments last year.

It also calls for a European system of compensation payments to reward electronics equipment producers for buying European components – apparently modelled on the common agricultural policy – an idea immediately dismissed as unrealistic by the French Industry Ministry. The government departments involved, over the next six months, will discuss the report, drawn up by Mr Jacques Maillet, chairman of Intertechnique, an aerospace electronics group.

While it is too early to say which – if any – parts of the study might be adopted as official policy, it is the latest stage in the intense debate going on in French government and industry over how to respond to Japanese competition in a range of sensitive sectors.

The report suggests Europe should emulate the US "buy American" act in the electronics sector. This measure has imposed domestic purchase preferences in the US since 1933, though the study does not point out that such preferences have eroded considerably in recent years.

The study claims such legislation would be a "weapon of dissuasion" in Gatt negotiations and could be used as a bargaining counter when trying to obtain reciprocal access to other markets.

It argues there is no long-term future as separate companies for the three leading European semiconductor makers, Philips, Siemens and SGS-Thomson. It calls for a "concentration" of the European industry and urges it to seek "major accords" with US groups, to gain faster access to new technologies and achieve economies of scale.

Optimism on chemical arms treaty

THE Soviet Union yesterday reported progress at protracted Geneva talks aimed at banning the making and stockpiling of chemical weapons and said a treaty could be ready by the middle of next year, Reuter reports Geneva.

Mr Sergei Batsanov, head of the Soviet delegation at the 39-nation Geneva Conference on Disarmament, told reporters he felt negotiations could conclude by mid-1992, and other delegates were even more optimistic.

He said the six-week session ending yesterday had made headway on clauses of the draft which would explicitly prohibit any use of chemical weapons.

It would also commit signatories to destroy all stocks.

Italy prepares to reopen case on death of Calvi

AN ITALIAN magistrate will open a new investigation into whether "God's Banker" Roberto Calvi, found hanging under a London bridge in 1982, was murdered or committed suicide, judicial sources said yesterday, Reuter reports from Rome.

The move comes at the end of an investigation linked to the crash of Calvi's Banco Ambrosiano.

Investigators have been divided over the death of Calvi. British police at first ruled his death a suicide but a subsequent investigation left the question open.

A Milan civil court ruled in January 1989 that Calvi's wife could collect more than \$3m (£1.8m) in insurance because his death was most likely a murder and not a suicide. The insurance company, Assicurazioni Generali, has appealed.

The civil court judges' report said that murder had to be considered more probable and plausible than suicide, and that Calvi could have been strangled to death and then hanged.

Calvi, dubbed "God's Banker" because of his links with the Vatican, was found dead shortly before Banco Ambrosiano collapsed leaving \$1.3bn in bad debts.

The Vatican Bank, which had a small stake in the Ambrosiano, has denied any responsibility but paid \$250m to creditors in what it called a goodwill gesture. The magistrate was reported to want to open the new investigation into Calvi's death because of evidence which emerged during his investigation concerning Calvi's documents.

INTERNATIONAL NEWS

Vietnam chooses leader to continue reform policy

By Alexander Nicoll, Asia Editor

Do Muoi: known as an economic pragmatist

VIETNAM yesterday announced leadership changes which seemed set to keep the country on a course of economic reform under Communist party rule.

Mr Do Muoi, 74, the prime minister, was appointed secretary-general at the end of a four-day party congress in Hanoi. He replaces Mr Nguyen Van Linh, 75, who has overseen fundamental market-oriented changes to Vietnam's economic structure since he was elected at the last congress in 1986.

Mr Muoi is a party disciplinarian but also an economic pragmatist who has embraced reform. He is seen as providing a transition to a younger leadership. "We can't bring in new people suddenly. We can't do anything that will cause a shock," said a Hanoi government official quoted by Reuter.

The appointment of eight new members of a 13-man Politburo brought the average age down to 64 and introduced technocrats likely to maintain the pace of economic change. Among those departing were Mr Vo Chi Cong, the president, Mr Mai Chi Tho, interior minister, and Mr Nguyen Co Thach, foreign minister.

Mr Thach, who at 68 had been the youngest member, was also the best known outside Vietnam, as he had been foreign minister since 1980. He is thought to have disappointed the party by failing to improve relations with the US after Vietnam agreed to pull troops out of Cambodia. But yesterday he said he was stepping down because he wished to do so.

The changes were interpreted as progress for the reformers, led until now by Mr Linh. They have sought to pull the country out of parlous poverty through the *doi moi* economic reform programme, on which the International Monetary Fund has given advice and praise.

At the same time, they are determined to maintain the party's firm political hold. Mr Linh – whose retirement was not a surprise, as he has been in poor health – told the congress that this would remain the goal despite the collapse of communism elsewhere. The promotion of Mr Muoi and the elevation to the politburo of Mr Phan Van Khai, who heads the state planning commission, coupled with the dropping of Mr Tho, a more traditional hardliner, suggest continuing economic reform without a threat to one-party rule.

Mr Khai is among several new politburo members who come from the southern provinces, which provide the main impetus for development.

Despite reforms carried out so far, the new leadership faces severe challenges. Vietnam remains isolated from western official finance by a US-led embargo and has had massive Soviet aid cut off.

Food production and exports, especially of rice, have risen in recent years, following relaxation of state control over farming and encouragement of the private sector. Many other subsidies have been reduced or abolished. New foreign investment laws have generated significant interest abroad.

However, economic growth slowed last year, inflation and unemployment have been rising, and the balance of payments has suffered from upheaval in eastern Europe.

Foreign assistance is vital for furtherance of the reform programme. The Asian Development Bank recently commented: "Unless new amounts of foreign capital ... are made available soon, the effectiveness of the policy reforms, which have been implemented at substantial social cost, may be impaired."

This depends on progress in Cambodian peace talks, since Washington has demanded the signing of a Cambodia agreement as the first condition for a phased normalisation of US relations with Vietnam.

Hawke breaks even after a party gamble

Labor's conference passed off more peacefully than expected, writes **Kevin Brown**

THE Australian Labor party's backroom staff could hardly have chosen a more richly symbolic venue for the biannual party conference this week than the Wrest Point casino complex in Hobart, capital of the island state of Tasmania.

From the start, Labor was gambling that the divisions between left and right could be kept under wraps, and that its simmering leadership crisis would not boil over.

The conference was at first intended to celebrate the centenary of the party's formation, either by sheep shearers in Queensland or dock workers in Sydney – no one is quite sure.

But the script had to be thrown out earlier this month when Mr Paul Keating, the federal treasurer, unsuccessfully challenged Mr Bob Hawke, the prime minister, for the leadership.

Mr Hawke's relatively narrow victory left him dependent on the left, historically the least influential of Labor's main factions, and vulnerable to a further leadership challenge.

Mr Keating stayed in Canberra, judging that his presence in Hobart would be counter-productive. But there were plenty of Keating supporters waiting for an opportunity to trip up the prime minister.

In the event, the conference passed off more smoothly than many had feared, with only one outbreak of the vicious public brawling for which Labor is famous. The row came at the beginning of the week, when the left chose to test the extent of its influence by running a candidate for the vacant position of federal president.

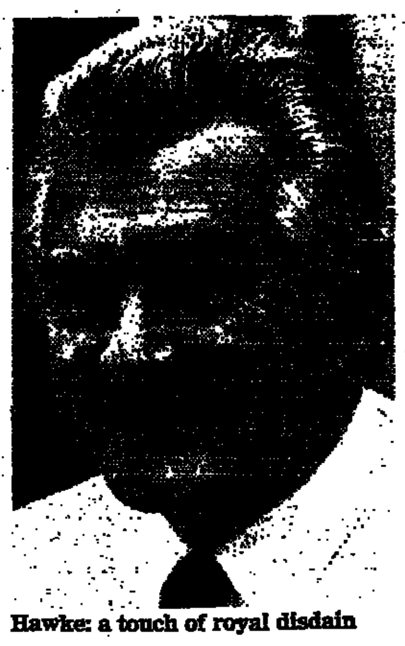
The left scored an initial success by securing enough votes to block the election of Senator Stephen Loosley, the right-wing candidate. However, the right got its way in the procedural wrangling that followed, proving that it remains strongest at what Senator Robert Ray, a key right-wing organiser, calls "the noble profession of arm-twisting".

The row was embarrassing for Labor because it brought the profound distrust between the factions into the open. But the early defeat of the left removed the heat from the remainder of the conference by demonstrating that the right remains in control.

As a result, Mr John Kerin, the right-winger who replaced Mr Keating as Treasurer, had little trouble dismissing left-wing attacks on the government's conservative fiscal and monetary strategy.

With the left already beaten, Mr Kerin gave the conference a lecture on the importance of maintaining downward pressure on inflation and the current account deficit. The main left-wing resolution calling for pump-priming to create jobs was not even discussed.

The delegates even found a subject – a 10-year timeframe for abolition of the monarchy – on which they were genuinely united, even if the resolution was approved "not very vigorously", as Mr John Bannon, the outgoing federal president, put it.



Hawke: a touch of royal disdain

Having dealt with Queen Elizabeth, the delegates turned to the future of Mr Hawke, who mixes populism with more than a touch of royal disdain. The prime minister, who is not a good public speaker, has a reputation for treating party conferences to rambling dissertations.

But with leadership speculation alive in every bar and corridor, he put a lot of effort into a speech designed to present himself as the only leader who could achieve a fifth successive election victory for Labor in 1993.

Echoing Louis XIV, who told his court *"l'etat, c'est moi"*, Mr Hawke pointed out that he is the only Labor leader also to have served as president of the Australian Council of Trade Unions, the party's industrial wing.

"I have ... come not just to understand the relationship between the trade unions and the Labor Party, but in my life, for a generation, to live out that relationship. That history is imbued in me and has become part of me," he told delegates.

Having clearly decided to go onto the attack against Mr Keating – the man some see as the king over the water – Mr Hawke declared the election campaign open, clearly betting on the party's reluctance to dump its leader until the election is over.

But there was one piece of Labor history he did not recall: the day in 1983 when Mr Bill Hayden, the former Labor leader, abdicated after a long campaign of destabilisation by Mr Hawke. Like Mr Keating, Mr Hawke had lost an earlier challenge. His victory came on the day Mr Malcolm Fraser, the Liberal prime minister, called the 1983 election.

MP condemns funding of 'terrorism' by the taxpayer

UK row over Cambodian role

By Emma Tucker

BRITISH taxpayers' money was used to fund "terrorism" in Cambodia, a Labour MP claimed in the House of Commons yesterday.

Mr Chris Mullin also accused the government of deliberately misleading parliament over its role in assisting non-communist forces which have been in a loose political alliance with the extremist Khmer Rouge.

His comments followed an admission on Tuesday by Mr Archie Hamilton, the armed forces minister, that from 1983 to 1989 the government provided training to the armed forces of the Cambodian non-communist resistance.

The non-communist groups, the Khmer People's National Liberation Front and the guerrilla army of Prince Norodom Sihanouk, the country's former monarch, joined cause with the Khmer Rouge to fight the Vietnamese occupation of the country. Hanoi invaded in 1979 to oust the Khmer Rouge regime of Pol Pot. Mr Hamilton's answer contradicted assurances given by ministers since 1990 that there was no British government involvement with the non-communist resistance.

A letter written in October 1990 from Mrs Margaret Thatcher, the former prime minister, to Mr Neil Kinnock, the Labour leader, said: "I confirm that there is no British government involvement of any kind in training, equipping or co-operating with the Khmer Rouge forces or those allied to them."

Mr Mullin condemned the government for failing to make a statement and said the House had a right to know why taxpayers' money was used to "fund terrorism in Cambodia". In his written answer on Tuesday, Mr Hamilton said the purpose of the training was to strengthen the position of the non-communists "in relation to the more powerful forces of the Khmer Rouge and in their struggle against the Vietnamese imposed regime in Phnom Penh".

He said there would never be any British assistance or support for the Khmer Rouge.

● Cambodia's warring factions said they made progress yesterday towards removing the main obstacle blocking an end to the 12 years of civil war, Reuter reports from Pattaya.

Prince Sihanouk said disagreement over a United Nations peace plan was the sole topic of conversion during the informal talks and the process had "certainly" advanced.

France and Iran close to settling dispute over loans

By George Graham in Paris

FRANCE AND Iran are on the verge of settling their financial dispute over millions of dollars of loans and contracts interrupted by the Iranian revolution 12 years ago.

Despite the last-minute cancellation on Wednesday of a visit to Paris by Mr Ali-Akbar Velayati, the Iranian foreign minister, French officials appear confident that the last obstacles to a settlement can soon be worked out.

At the heart of the dispute is a $1bn (£609m) loan made by the late Shah of Iran to the French nuclear energy authority, of which the French government has already repaid $630m.

Offsetting Iran's claim for repayment, however, are a series of counter-claims by French companies whose contracts in Iran were cancelled when the revolution broke out.

Mr Roland Dumas, the French foreign minister, warned that there were "a few problems" unresolved, but Mr Mahmoud Vaezi, Iran's deputy foreign minister and chief negotiator on the dispute, is expected in Paris next week to continue the discussions.

Mr Dominique Strauss-Kahn, the French industry minister, said yesterday that the nuclear loan dispute appeared to be well on the road to settlement, and that he hoped this would pave the way for French companies to sign new contracts in Iran.

Among the companies likely to be interested are the vehicle maker Renault, which is involved in plans to build a car plant with Iran's Saipa, and Peugeot, which supplies the Paykan car kit for assembly. GEC-Alsthom, the Franco-British electrical engineering group, could also bid for the Tehran metro project.

Two obstacles remain to be settled before these new contracts can go ahead: Article 139 of the Iranian constitution, which provides for arbitration clauses in contracts to be submitted to the Iranian parliament, and recent legislation which prevents the Iranian central bank from guaranteeing settlement payments.

Mr Hadi Nejad Husseinian, Iran's minister for heavy industry, assured the French government during a visit to Paris this week that Article 139 applied only to contracts between Iranians, thus removing this source of concern. France is waiting for written confirmation of this.

The second obstacle is expected to be resolved by an agreement allowing some smaller settlements to be guaranteed by commercial banks – most of which are in any case state-owned – while retaining the central bank's guarantee for the larger contracts.

Jalal Talabani (left) and Massoud Barzani, the main leaders of the Kurdistan Front, meet to discuss an autonomy deal with Baghdad

UN demands Iraq say where N-materials are

By Michael Littlejohns, UN Correspondent, in New York

THE UNITED NATIONS yesterday demanded that Iraq disclose the whereabouts of suspected nuclear-related material that the US has alleged was removed from a military complex near Baghdad earlier this week before UN experts could inspect it.

But Mr Abdul-Amir al-Anbari, the Iraqi delegate, after a meeting with the president of the Security Council, again denied any violation of council resolutions.

The burden of proof was on the accusers, he told reporters. "What evidence?" he asked, referring to US intelligence photographs shown privately to Security Council members.

"Some materials have been removed from one site to another? Assuming this is true, it could be anything."

Nonetheless, most members appeared convinced by the Americans' information, details of which were kept secret apparently because experts might otherwise learn the extent of the US reconnaissance capability.

A UN under-secretary general who saw the photographs, said privately that he considered the evidence of Iraqi deception was "overwhelming".

Mr Jean-Jacques Bechio, of the Ivory Coast, current president of the council, was understood to have asked Mr al-Anbari to request from his government a high-level reaffirmation in writing of Iraq's agreement to comply with all of the ceasefire terms.

These included the destruction of its most dangerous weapons under UN supervision and UN inspection of its nuclear weapons-related materials, ballistic missiles and chemical and biological weapons.

No further meeting of the council on the question was scheduled pending Iraq's response to Mr Bechio's demarche.

But diplomats said most members took a very serious view of Iraqi intransigence and believed that further action was inevitable if Baghdad's replies were unsatisfactory.

Under the monthly rotation system, Cuba, which has sided with Iraq against the majority on several past resolutions, takes over the presidency for July.

Japan to invite critic Cresson for official visit

By George Graham

JAPAN PLANS to invite Mrs Edith Cresson, the French prime minister who has become notorious for her obsession with Japanese economic expansion, for an official visit.

Mr Akitane Kiuchi, the Japanese ambassador to France, said he planned to deliver the invitation when he visits Mrs Cresson next Wednesday.

He hoped it would be possible to arrange the visit for this year, but Mrs Cresson has already said she would be unlikely to be able to go before next spring.

Mrs Cresson has in recent weeks tried to prove she has "absolutely nothing against the Japanese", but her forthright attacks on Japanese industrial aggression since she took office last month have at times verged on a more sweeping national hostility.

Mr Kiuchi, however, said he wanted to dissipate misunderstandings. "Mrs Cresson is becoming very popular with us and she will certainly be very well received, because there is no problem between our two countries," he said.

Kaifu stresses importance of Hong Kong

MR Toshiki Kaifu, the Japanese prime minister, has told China's foreign minister of the importance his country attached to Hong Kong, Reuter reports from Tokyo.

A Japanese official said Mr Kaifu, who will visit China in August, also told Qian Qichen that Beijing should make compromises to improve its relations with Washington.

The official quoted Mr Kaifu as saying: "It is important for Hong Kong to maintain its economic freedom and vitality for the development of China's reform and open-door policy, as well as for Sino-Japanese relations and Sino-British relations." The colony reverts to Chinese rule in 1997.

Official figures show Japanese investment in Hong Kong at March 1991 at $9.85bn (£6bn), the most favoured destination for Japanese investment in Asia after Indonesia. It accounts for 3.2 per cent of total Japanese investment worldwide.

The official quoted Qian as saying he agreed with Mr Kaifu. China hoped Hong Kong would be a stable financial centre and it would work to that end.

Pretoria changes schools policy

THE South African government changed tack yesterday and eased the procedure for blacks attending squalid township schools to move to closed white schools, AP reports from Johannesburg.

Mr Stoffel van der Merwe, minister for black education, announced the policy a day after police blocked hundreds of black students from leaving one township school to occupy a padlocked school in a nearby white suburb.

Mr Van der Merwe had said on Wednesday it would be too costly to transport black students from their townships to white schools shut down because of declining rolls.

Anti-apartheid groups argue that closing the schools was a ruse to prevent blacks from coming to white areas where the schools are located.

"No facility should be lost for education," Mr van der Merwe said in Pretoria yesterday, adding that 40 closed white schools already had been allocated to other education departments and institutions, including two to black education.

He said each case should be judged on merits to consider the costs and the rights of local residents.

President FW de Klerk yesterday signed legislation formally repealing the last remaining apartheid laws, but education remains largely segregated under the current constitution.

White state schools have been allowed to integrate since January, but only if 72 per cent of the white parents vote for integration. About 100 schools have done so, while some 2,000 schools remain all-white.

COMPANY NOTICES

PAN HOLDING SA LUXEMBOURG

Notice is hereby given that Pan Holding S.A., has declared a dividend of US$10 per share of $200 for the year 1990 payable as from 1 July 1991.

This amount includes a dividend of US$ 8.50 for the year 1990 and an exceptional dividend of US$ 1.50 in respect of the sixtieth anniversary of the company.

The dividend will be payable against coupon no. 56 from bearer shares of Pan Holding S.A., which may be presented to Midland Securities Services, Ground Floor, Suffolk House, 5 Laurence Pountney Hill, London EC4R 0EU, for payment at the rate of exchange current on the date of payment.

Income tax of 25% will be deducted, unless the coupons are accompanied by an Inland Revenue Affidavit.

THE SCOTTISH AGRICULTURAL SECURITIES CORPORATION p.l.c.
10¼% DEBENTURE STOCK 1989-1991

Notice is hereby given that the above Stock will be redeemed at par on maturity at 30th September 1991. It will not be necessary for Stock Certificates to be surrended upon repayment.

The final interest payment due on the 30th September 1991 will be paid in accordance with existing instructions.

By order of the Board,
Nigel B. Richardson, Secretary,
19 Rutland Square,
Edinburgh EH1 2BA

LEGAL NOTICES

AUTHORITY INVESTMENTS PLC (IN LIQUIDATION)

NOTICE is hereby given to all Creditors and Contributories of AUTHORITY INVESTMENTS plc (In Liquidation) (Company Number 827060) THAT we Michael Anthony Jordan and Robin Michael Addy of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ were, by Order of the High Court under number 5280 of 1991 and dated 20th May 1991, appointed Joint Liquidators of Authority Investments plc (In Liquidation) pursuant to Section 140 Insolvency Act 1986.

The Joint Liquidators do not propose to summon a meeting of creditors and contributories. Pursuant to Section 141(2) Insolvency Act 1986 one tenth in value of the company's creditors can require the Joint Liquidators to summon such a meeting.

Notice is hereby given that application has been made to the Inland Revenue Share Valuations Division, Minford House, Rockley Road, London W14 to declare the shares and stock to be nil value. It is therefore the responsibility of individual shareholders and loan stockholders to agree the Losses incurred. Contributories should not expect any further communication from the Liquidators.

This Notice is given pursuant to the Order of Mr Registrar Buckley dated 13th June, 1991 and made in accordance with rules 4.102(5) and (6) Insolvency Rules 1986.

Dated 21st June 1991

M. A. Brown
R. M. Addy
Joint Liquidators

PLANTAGENET LIMITED

NOTICE IS HEREBY GIVEN that the creditors of the above-named company, which is being voluntarily wound up, are required, on or before 22 July 1991 to prove their debts by sending to the undersigned Christopher John Hughes of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ, the Liquidator of the company, written statements of the amounts they claim to be due to them from the company and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the Liquidator to be necessary. A creditor who has not proved his debt before the declaration of any dividend is not entitled to disturb, by reason that he has not participated in it, the distribution of that dividend or any other dividend declared before his debt was proved.

Date: 24 June 1991

Liquidator: C J Hughes

"He who sows well, reaps well."

Spanish Proverb

Out of small beginnings, great ideas often grow.

To turn today's discoveries into tomorrow's benefits, the Daimler-Benz Group are working on concepts in every imaginable field.

We are combining the skills, resources, and systems of our integrated high-technology Group to find ways to improve the quality of life. Through cars, commercial vehicles, and traffic systems. Aeronautics and aerospace. Microelectronics, financial and communications services.

To continue to flourish, one must continue to learn. That's why, as they work towards the future, the people in the Daimler-Benz Group never cease to cultivate their knowledge and expertise.

Because at Daimler-Benz, people are at the root of our success.

Daimler-Benz Group	1990	1989
Sales (in millions of DM)	85,500	81,298[1]
EC market	55,550	51,037
Federal Republic of Germany	36,674	33,075
EC market (without Germany)	18,876	17,962
Other markets	29,950	30,261
Employees (at year-end)	376,785	368,226
Federal Republic of Germany	303,404	298,199
Foreign	73,381	70,027
– Figures in millions of DM –		
Personnel Expenses	26,890	23,199
Depreciation Allowances	3,780	3,218
Cash flow	6,711	5,991
Investments	6,857	7,620
Research and Technology	8,193	7,546[1]
Net Income	1,795	1,700[2]

1) After inclusion of Messerschmitt-Bölkow-Blohm GmbH (MBB) for comparison purposes.
2) Result calculated on a comparable basis to the previous year excluding non-recurrent income and expenses of DM 5.1 billion.

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Daimler-Benz AG, P.O. Box 800230, D-7000 Stuttgart 80, Federal Republic of Germany

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AMERICAN NEWS

FDIC to run out of cash before end of the year

By **Peter Riddell**, US Editor, in Washington

Seidman: pessimistic scenario is not worst-case scenario

THE Federal Deposit Insurance Corporation, which insures bank deposits, has warned that it will run out of money before the end of this year, faster than previously expected.

Mr William Seidman, FDIC chairman, yesterday told Congress that losses to the fund may be $2bn (£1.2bn) greater than previously expected as a result of languishing property markets and the weak economy.

The pessimistic forecast suggested that the fund was likely to decline from $8.4bn last December to $1.7bn by the end of this fiscal year on September 30. Soon afterwards it would run out of money, with a deficit of $11bn in 15 months.

A more optimistic estimate saw the fund having a positive balance of $3.2bn at the end of September, but it would have a deficit of $3bn a year later.

But Mr Seidman emphasised: "The pessimistic scenario is not the worst-case scenario. If substantial deterioration occurs in other real estate markets, such as California or the south-east, insurance losses will be greater than indicated."

His comments, which follow higher estimates of the cost of the savings and loan rescue, have increased congressional *jitters about the possibility of* taxpayers having to bail out of the banks as well.

Congress is already considering proposals to authorise the FDIC to increase its borrowings substantially, to cover such losses.

These would be repaid by higher insurance premiums paid by banks.

Worries over the fragile state of US banking have been cited by those supporting the Treasury's call for comprehensive reform. The House banking committee has this week approved the most far-reaching changes to the structure of US banking for 60 years, which will lead to nationwide branch banking and commercial businesses *being allowed to own* banks.

This has been partly based on the argument that these moves would cut costs, boost profits and inject more capital.

However, these changes face several further hurdles in both the House and the Senate.

Several powerful congressmen have argued that the gloomier outlook on the bank insurance fund means that a measure focusing just on its recapitalisation should be a priority and comprehensive reform should be left until later. The House banking committee has sought to impose tight restrictions on such changes to minimise the risk of further calls on the bank insurance fund.

In particular, it has sought to strengthen firewalls betweens banks, with their insured deposits, and other operations of any affiliated or owning group.

The committee has also agreed a compromise to limit long-term lending by the Federal Reserve to ailing banks through the discount window.

However, it would still operate as lender of last resort.

Recession in US may have ended in April

By **Michael Prowse** in Washington

THE US recession may have ended in April or even earlier, Mr Michael Boskin, the White House chief economist, indicated yesterday.

His comments followed a fresh crop of positive economic statistics. The Commerce *Department said personal* incomes and consumption rose sharply in May, while the Labor Department reported a further fall in mid-June in the number of people filing claims for unemployment insurance.

Mr Boskin said business cycles were dated on the basis of four indicators: non-farm employment, real incomes, industrial production, and real manufacturing and trade sales.

Employment appeared to have troughed in April, industrial production and manufacturing and trade sales in March, and real incomes in February. But he declined to predict which month the National Bureau of Economic Research, a non-profit body, would identify as the trough of the recession, which began last July.

Personal income rose 0.5 per cent between April and May, to register its biggest gain this year and its fourth consecutive monthly increase. Personal consumption, boosted by a fall in the savings rate from 4.0 per cent to 3.6 per cent as well as growth of incomes, rose 1.1 per cent.

The spending increase was broadly based, with higher purchases of durable and non-*durable goods and services.* The underlying rise in incomes reflected wage and salary growth after increases in employment and the number of hours worked last month.

Initial claims for unemployment insurance fell by 17,000 to 431,000 in the second week of June, indicating a further gradual improvement of labour market conditions.

Yesterday's figures increase the chance that gross national product will show a marginal rise this quarter. In April and May taken together, real consumption spending – two thirds of economic activity – rose at an annual rate of about 3 per cent.

Americans uneasy at new Europe

Peter Riddell interviews the head of the EC mission to Washington

IT IS far from easy for the Americans to come to grips with having to share power with newly-emerging political and economic powers in Europe and Japan, says Mr Andreas van Agt, head of the European Community delegation to the US.

Mr Van Agt, who has been in Washington since early last year, is well-placed to observe the changes in relations between those powers. He was prime minister of the Netherlands between 1977 and 1982 *and served for more than 2½* years as head of the EC delegation in Tokyo.

He sees a big difference between Europe's relations with the US and with Japan. The EC/US relationship is multi-dimensional, whereas "the EC/Japan relationship is exclusively about trade and commerce and has no political dimension", he says.

"There is even a difference within the realm of trade and commerce. There are many trade disputes between the transatlantic partners, but there is hardly ever serious animosity. There is quite a bit of sourness in the EC/Japan relationship, which there is not in EC/US relations. Sometimes we have a dispute flaring up, but basically the mood is friendly."

Contrasting attitudes exist *about European integration. In* the US, in contrast with the worries expressed for most of 1988 and 1989, the prevailing mood now is positive – "something real is happening over there in Europe and that is much more of an opportunity than a threat"- whereas in

> **'The official line is *that* European integration deserves to be supported. But behind the curtains there is whispering inspired by concern, fears, uncertainty that the Europeans *are going it* alone. . .'**

Japan "the idea of a Fortress Europe under construction is still very much alive".

But Mr Van Agt does not believe the administration has come to terms with the post-Cold War Europe.

"There is that apparent *ambiguity, ambivalence in US* attitudes when it comes to other than trade dimensions of integration, when it comes to political and security integration, the construction of European defence. Time and again you encounter that ambiguity. The official line proclaimed every day is that European integration deserves to be supported by the US.

"However, behind the cur*tains there is whispering* inspired by concern, fears, uncertainty that the Europeans are going it alone. . ."

There are not yet satisfactory answers. The Gulf war did not help: "That was a wonderful example of American naivety since in their newly-found enthusiasm about Europe they had apparently overlooked the fact that Europe is hardly integrated at all in political and military matters. Expectations about what the EC could do were much too high and hence the *disappointment was based on* nothing, on expectations that they should never have developed."

Van Agt: well-placed

But the damage was limited because "the war ended so soon, the victory was so overwhelming and the Americans were so happy in the end".

Moreover, the cautious way in which the inter-governmental conference on political union is developing is likely to *reassure the Americans that* there will be no spectacular change in the immediate future.

But there is confusion on the other side as well. Mr Van Agt acknowledges that "there is a substantial lack of understanding on the part of all too many Europeans as regards the political decision-making process in Washington".

"Very many, even key, politi*cians in Europe do not* have a full grasp *of* how basically important the position of the US Congress is."

It is noticeable that Mr Jacques Delors, the EC president, and fellow commissioners, with the main exception of Sir Leon Brittan, generally do not include meetings with congressional leaders on their regular visits *to* Washington, as, for example, Mr Boris Yeltsin is doing this week.

The central question is how can the transatlantic partnership survive in the absence of a threat from outside. Some argue that, *instead of a Soviet* military threat, the US and Europe may be drawn together by the economic challenge from Japan and countries such as South Korea, but that is not yet being openly discussed.

Mr Van Agt talks of the development of the idea of burden-sharing, defined very much in the European sense of sharing decisions rather than just foreigners making financial contributions to the US.

"Roughly speaking Europe is the concern of the Europeans – not exclusively since the Americans will keep contributing a bit to the recovery of eastern Europe and the Soviet Union, but Europe is first of all for the Europeans. Latin America is the main concern for the US. Japan has to do an awful lot to keep things nice in Asia. These are the broad outlines of a burden sharing concept that comes more and more to the fore."

US writes off part of Chile's debt

PRESIDENT George Bush of the US and Mr Alejandro Foxley, Chile's finance minister, yesterday signed an agreement to write off a small portion of Chile's official debt with the US, writes Leslie Crawford in Santiago.

The amount, believed to be less than $16m, is only a fraction of the $473m Chile owes the US Treasury – Mr Bush's efforts to obtain more debt-relief for Latin America are blocked in Congress.

None the less, the US government hopes that the write-off, signed on the first anniversary of the launch of Mr Bush's Enterprise for the Americas Initiative, will send a positive signal to the region.

Mr Bush has been at pains to reassure Latin America that his plans to create a free trade zone from Alaska to the Antarctic remain alive.

Mr Foxley is also in Washington to sign a $150m credit from the Inter-American Development Bank (IADB) to foster small and medium-sized businesses in Chile. This marks the beginning of the IADB's new lending strategy, channelling resources to the private sector as well as governments and state-owned companies.

Mr Foxley was also expected to use his Washington trip to further Chile's efforts to reach a free trade pact with the US.

Canada must change to survive says forum

By **Bernard Simon** in Toronto

AN ambitious exercise to gauge Canadians' attitudes towards reform of their political system has concluded that far-reaching changes are needed if Canada is to survive as a viable entity.

The Citizens Forum on Canada's Future, set up by the government last year as part of efforts to calm the national psyche after the collapse of the divisive Meech Lake accord, calls for a special constitutional arrangement for Quebec and an independent review of the policy of official bilingualism.

It suggests that the Senate, the upper house of the federal parliament, needs to be reformed or abolished, and that aboriginal people be allowed a greater measure of self-government. The government is also urged to cut financial support for multi-culturalism.

The 12-member forum is one of several groups which Mr Brian Mulroney's government is using in a carefully managed process to draw up a package of political reforms.

Mr Mulroney faces the daunting task of spiking the guns of Quebec separatists, who are pushing for a referendum on sovereignty in October 1992, but at the same time satisfying English-speaking Canadians, who often demand that there should be no special treatment for Quebec.

The government expects to publish the first draft of its own constitutional proposals this autumn.

The commission's chairman, Mr Keith Spicer, a former Ottawa newspaper editor and commissioner of official languages, painted a sombre picture of Canada's present mood. He said in a foreword to the report that "seen from abroad by both foreigners and Canadians, Canada looks like paradise. Yet seen from within, Canada looks to Canadians like a pessimist's nightmare of Hell."

However, he held out some hope for reconciliation between the English-speaking and francophone communities. He had recently sensed "a new potential for English-speakers' self-confidence and, among other benefits, a possibly franker, yet open, dialogue with Quebec."

WORLD TRADE NEWS

High-speed rail contracts put bidders on the spot

Engineering groups face formidable obstacles in race to win overseas tenders, writes Andrew Baxter

FOR A man who has just lost a six-year battle to convince Texas to spend $6bn on a high-speed rail network incorporating his company's train technology, Mr Wolfram Martinsen is in remarkably philosophical mood.

The president of Siemens' transportation group is putting a brave face on the decision by the Texas High Speed Rail Authority last month to award a franchise to Texas TGV, a US-led consortium including the Anglo-French GEC Alsthom, to build the first high-speed rail network in the US.

The Siemens-led consortium was first into the field in Texas but came under pressure once GEC Alsthom, builder of France's TGV high-speed trains, and its North American partner Bombardier had dropped their pursuit of a similar deal in Florida and switched attention to Texas.

"Over those six years we had a lot of hopes and wishes," says Mr Martinsen. But, he says, Siemens learned some important lessons from the battle – such as the need to have a strong US company heading the consortium – which he hopes will help the German company win contracts elsewhere in the US.

Even now, the Texas story is far from over. Texas TGV and its powerful leader, the US construction group Morrison *Knudsen, will carry out feasi*bility studies for the network, which would eventually link Dallas, Fort Worth, DFW airport, San Antonio and Austin with trains developed from the second-generation TGV Atlantique series.

But no contract has yet been awarded, and Mr Michel Perricaudet, managing director of GEC Alsthom's transport division, says it will not come until 1994. The first phase of the 622-mile network, between Houston and Dallas/DFW airport, could be open by 1998. For Mr Perricaudet, the franchise award is a strong vindication of GEC Alsthom's TGV technology and a "very relevant step forward" in a country where cars and airlines dominate passenger transport.

There is, as yet, no guarantee that the project will go ahead, but GEC Alsthom believes this is likely enough for it to allocate it significant resources. Both consortiums spent several million dollars on lobbying and legal work.

Raising the finance will be a tough challenge because of the size and novelty of the project, and because Morrison Knudsen has pledged that no public money will be necessary.

The saga illustrates the many difficulties of bidding for high-speed rail contracts abroad. Engineering groups and transport lobbyists may believe they have won the policy battle for high-speed trains on short-haul routes between big cities, but winning orders is going to be a long, hard *fight. As Mr Perricaudet puts* it, "it is all so big and so new" – and very political.

Apart from GEC Alsthom's sale of 24 TGV trainsets to Spain and 30 for the Channel Tunnel, the Texas project is the only one outside the "home" countries of France, Germany and Japan where a technology has been chosen. Outside Europe, a choice could be made next year in Korea and Taiwan.

A similar choice for the much-hyped Paris-Brussels-Amsterdam-Cologne network may not be much further down the line, although technical problems, particularly on the networks' incompatible power supplies, remain.

WINNING a franchise, and converting it into a contract, will depend on four key prerequisites, apart from patience:

- **Spotting the right project:** The railway magazines may be full of news about ambitious plans for high-speed rail projects, but only close observation of an individual market's political characteristics, financial and technological demands, and transport priorities can save bidders from wasting time. Mr Perricaudet, for example, believes the Japanese were "probably wrong" to ignore the Texas project.
- **Having a proven product:** GEC Alsthom had an important advantage over Siemens because it was able to use France's TGV network as a sales tool and entertainment *facility for visiting Texan dig*nitaries. Japanese companies behind the Shinkansen (Bullet) trains also have a successful home network, and are fighting for the more promising Far Eastern projects.

Now Siemens has Germany's ICE (InterCity Express) service to show off to overseas buyers, although it has been embarrassed by publicity over poor punctuality, door problems and blocked toilets since the trains came into service on June 2. Mr Martinsen promises the problems will be sorted out soon and says overseas customers will quickly forget his French rival's advantage.

- **Getting the consortium right:** Difference between markets call for careful judgment of which company should head the consortium and bear the brunt of the lobbying effort, as Siemens found in the US. But any deal is bound to involve technology transfer and local manufacture. Taiwan's 200-mile project linking Taipei and Kauhsiung may be the spur for establishing a domestic rail equipment industry.
- **Arranging appropriate financing:** There are huge variations between a privately-financed project in Texas and a government-led project in Korea. Opportunities for "build-operate-transfer" projects are unlikely to make headway in markets where established railways will want the kudos – and profits – of a high-speed network. And payment methods will vary widely.

Like the trains themselves, the lessons of bidding will not cross borders easily.

GEC Alsthom's TGV in the workshop in Belfort, France

Japan car parts study may fuel fresh US anger

By Nancy Dunne in Washington

MR Robert Mosbacher, the US commerce secretary, yesterday released a joint US-Japan study of car parts prices which found that some prices in Japan averaged 340 per cent more than in the US for identical or comparable uninstalled parts.

The study, performed by economists from the Commerce Department, and the Japanese Ministry of International Trade and Industry (Miti), "paints a picture of a non-competitive autoparts market in Japan," the secretary said.

US parts manufacturers have been complaining for years that they are shut out of the Japanese market, while Japanese parts have taken an increasingly large chunk of the US market. The US car parts deficit with Japan accounted for one quarter of the entire $41bn bilateral trade deficit with Japan last year.

Although the study could pave the way for a US dumping complaint, the secretary said no such action is currently contemplated. The Bush administration is maintaining its efforts to pry the market open without resorting to trade warfare, a strategy Mr Mosbacher said yesterday has produced "important progress" in areas such as semiconductors and construction services.

The results of the study will be taken up within the broader framework of the Structural Impediments Initiative trade talks.

The study was conducted in Tokyo, Osaka, New York and Los Angeles.

In each city, prices were obtained for both uninstalled and installed parts for the Nissan Sentra/Sunny, Toyota Corolla, Chevrolet Camaro and Ford Taurus.

Using the average price in each country for each item, the uninstalled parts were found to be 87 per cent more expensive in Japan and the cost of the installed parts 41 per cent higher.

The difference was even greater in a comparison with the lowest prices available for uninstalled parts. These results were as follows:

- Prices for Nissan Sunny uninstalled parts were 199 per cent higher than those for the Nissan Sentra.
- Toyota Corolla parts were 107 per cent higher.
- Chevrolet Camarro parts prices were 453 per cent higher.
- Ford Taurus parts prices were 681 per cent higher.

The differences narrowed for installed parts to 80 per cent, 44 per cent, 136 per cent, and 580 per cent, respectively.

Soviet-German coach deal gets green light

By **Andrew Fisher** in Frankfurt

A German-Soviet deal to produce Mercedes-Benz long-distance coaches near Moscow has been given the green light after the conclusion of financing arrangements, the Daimler-Benz group subsidiary said yesterday.

Mercedes said this would be the first time its vehicles had been produced under licence in the Soviet Union. The deal was signed *last November*, but agreement on financing was delayed by political and economic confusion in the Soviet Union.

The German company's Soviet partner, the state-owned Avtrokon coach concern, will invest DM200m ($112.3m) to equip itself for assembly under licence of the German company's coaches.

The funds, which will pay for Mercedes parts and production lines, come from the Soviet Union's foreign trade bank and German banks with the guarantee of Germany's *Hermes export credit* guarantee organisation.

The first coaches are already being produced on a pilot basis with full production expected in 1993.

Nippon Steel wins pipeline project

NIPPON Steel and Sumitomo have jointly won a $300m turnkey project to lay liquefied natural gas pipelines in Indonesia, Nippon Steel said, Reuter reports from Tokyo.

Submarine pipes 430km long will be laid from the Kangean Islands, north of Bali, to Gresik, near Surabaya, the company said.

Construction of the gas pipelines will start later this year *and it is scheduled for comple*tion in 1993.

Nippon Steel as well as NKK, Kawasaki Steel and Sumitomo Metal Industries will supply pipes.

Denmark puts bridge link back on track

THE DANISH government has succeeded in keeping opposition parties to their agreement for a combined bridge and tunnel link between Denmark and southern Sweden, reports Xueling Lin.

Problems arose when a Danish civil engineering group suggested that a tunnel-only project would be more environmentally friendly.

The report echoed fears by environmentalist groups who *believe that a link will harm* bird life living on an island which will be affected by construction of the bridge.

The main opposition party, the Social Democrats, had initially agreed to vote in favour of the bridge-and-tunnel project but later threatened to withdraw its support. This would have resulted in the Danes having to break their agreement with the Swedish government, which has already approved the combined link in parliament.

The Danish parliamentary committee reviewed yesterday a new report on the consequences of a tunnel-only solution and came down in favour of the combined link. The report was submitted by three independent civil engineering companies at the request of the transport ministry.

Danes plan Moscow cable link

By **Xueling Lin** in Copenhagen

PLANS for a fibre-optic cable linking Copenhagen to Moscow are being made by the Danish national telecommunications operator, Telecom, and Great Northern Telegraph telecommunications company.

The 1,300kmunderwater sea cable from Copenhagen to Leningrad is an important first stage of a larger project to modernise telecommunication links to the Soviet Union.

A radio link will carry the land connection between Leningrad and Moscow.

The two Danish companies are also part of an international consortium consisting of 11 telecommunication network operators.

The TSL consortium includes the USSR Post and Telegraph Authorities, British Telecom, American, Japanese, Korean and Australian network operators.

Previous attempts to carry out the link have been blocked by the Co-ordinating Committee on Multilateral Exports (Cocom) which controls sales of technology to the Soviet Union that might be used for military purposes.

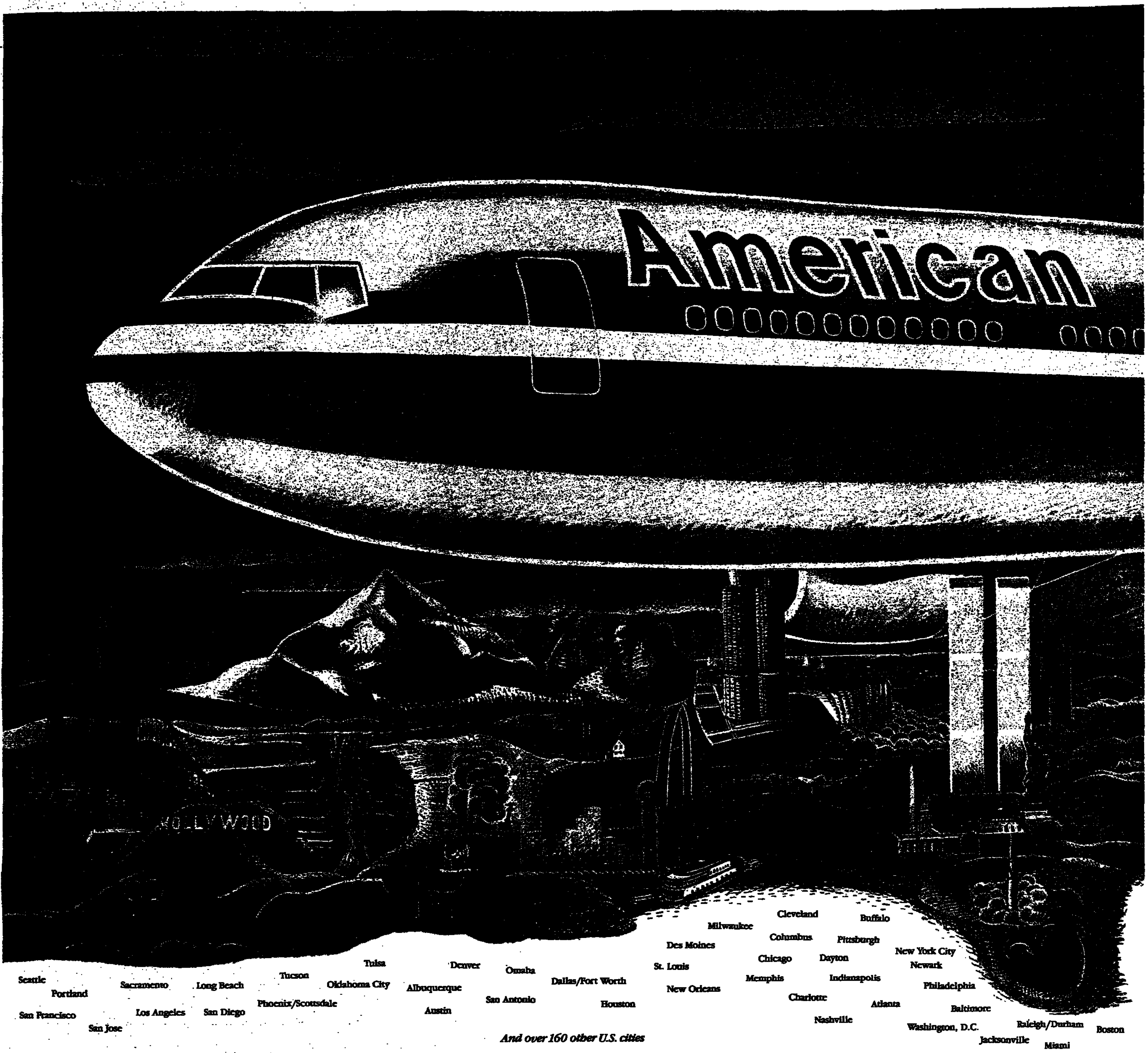
Fibre-optic technology allows concealed military telecommunication links and reduces the possibility of bugging lines.

Cocom gave the green light this week for the laying of a fibre-optic sea cable for the Danish leg of the project after "certain political re-evaluations".

The main project of a trans-Siberian cable, as projected by the TSL consortium, is still being stalled by Cocom restrictions which continue to prohibit land cables.

The Danish-Soviet cable will cost an estimated DKr500m (£72.5m) in total and is projected to be able to carry 16,000 calls at once.

Details of the project are still being kept confidential but a Danish Telecom spokesman said: "The project can now be carried out without the risk of conflict."



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	New York (JFK)	2 July
Glasgow	Chicago	Current
Paris	Chicago	Current
	Dallas/Fort Worth	Current
	New York (JFK)	Current
	Raleigh/Durham	Current
Frankfurt	Chicago	Current
	Dallas/Fort Worth	Current
Munich	Chicago	Current*
Düsseldorf**	Chicago	Current*
Brussels	Chicago	Current
	New York (JFK)	Current*
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Ford forced to cut output as recession bites

By Kevin Done, Motor Industry Correspondent

THE BRITISH subsidiary of Ford, the US motor manufacturer, is being forced to cut production at its Halewood plant in north west England in the face of the continuing deep recession in the UK new car market.

The company is switching production to a three-day week in September and has again reduced its forecast for total UK new car sales this year to only 1.55m.

This would represent a 22.5 per cent fall from the 2m sales achieved last year and a drop of a third in two years from the record 2.3m sales reached in 1989.

The motor industry had been hoping that the fall in sales would moderate in August, traditionally the busiest car sales month in the UK with the change of registration number prefix.

Ford, the UK car market leader, warned that it had reduced its forecast for total new car sales in August to 330,000, a 24 per cent fall from sales of 433,000 in August last year.

Ford's Halewood plant, which produces the Ford Escort/Orion range for the domestic market, has already been reduced to working only a four-day week since the beginning of the year.

In addition Ford is planning to halt car production at the plant for a further two weeks in the summer by extending the normal three-week holiday shut-down to five weeks.

While total UK new car sales have fallen by 24 per cent in the first five months this year, Ford's own sales have dropped by 27.6 per cent.

There have been no lay-offs at Halewood, but Ford is already implementing a long-term programme to cut the workforce at the plant by a third over the next five years by reducing the 8,500-strong Halewwood workforce by 2,800 from 1990. It had already shed about 3,000 jobs there in the previous five years.

● Jaguar, the UK luxury car maker and a subsidiary of Ford, said it was also being forced to make further cuts in production "during a time of depressed demand for luxury cars worldwide."

Jaguar sales worldwide fell to only 10,846 in the first five months from 19,928 in the corresponding period a year ago.

Europe's largest construction project takes shape

THE CHANNEL tunnel, the largest construction project in Europe, is rapidly taking shape above and below ground. The last of the three tunnels linking England and France is due to be joined beneath the seabed today, writes Andrew Taylor.

On land, construction of the two massive rail terminals – at Cheriton in Kent and Sangatte close to Calais – is well advanced.

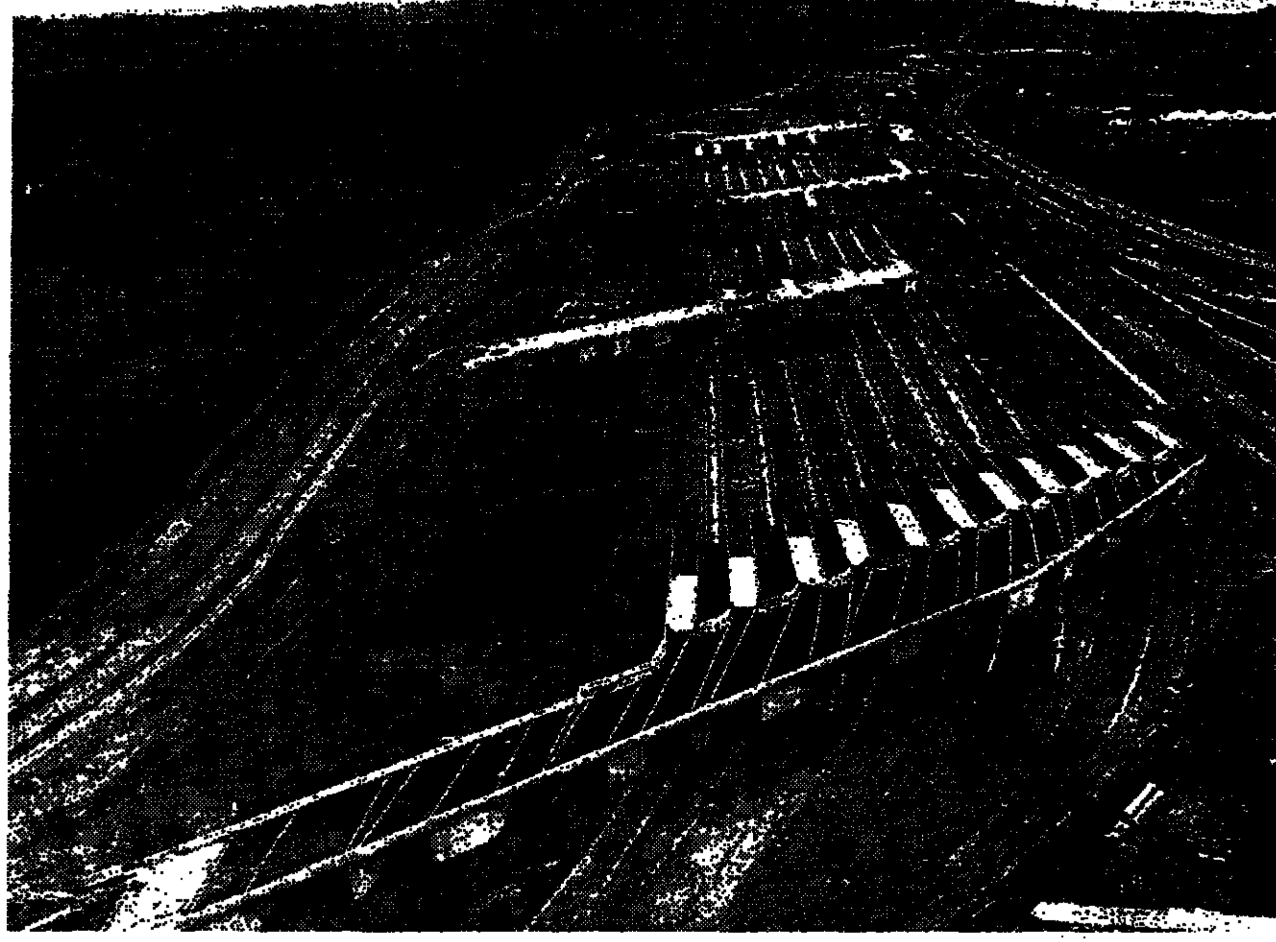
The next phase is to lay track and install power transmission, communication, ventilation, signalling, firefighting and other safety systems.

Time is short. In just 18 months all construction work and fitting out must be completed to allow Eurotunnel time to make final tests and carry out last modifications before the first trains start running in June 1993.

The construction group is pleased with recent progress. It says that in spite of previous delays "the civil engineering and construction of the tunnels and terminals is virtually the same as the original schedule submitted to the British and French governments in 1985".

Progress has not without problems. The cost of the project has risen from £4.8bn in 1987 to more than £7.5bn. Part of the increase is due to catching up lost time.

When the tunnel opens the journey between London and Paris will take three hours making it competitive with airline services.



Work continues on the Channel tunnel loading ramps in Kent (above), where vehicles will be driven on to trains.

Lonrho wins legal victory in House of Fraser case

By Raymond Hughes

LONRHO, the international trading conglomerate, has won a comprehensive victory in the latest round of its long-running legal battle to wrest control of the House of Fraser stores group from the Egyptian Fayed brothers.

The House of Lords yesterday ruled that Lonrho could go ahead with an allegation that the Fayeds and their merchant bankers had conspired to injure it.

In addition to allowing Lonrho's appeal on that issue, the five Law Lords unanimously dismissed the Fayeds' challenge to an Appeal Court ruling that Lonrho could sue for unlawful interference with its business. Lord Bridge said the Fayeds had failed to demonstrate that Lonrho's claim was "obviously doomed to fail".

Mr Edward Du Cann, Lonrho's chairman, said later that he was pleased with the Lords' decision "because I have no doubt there was, in effect, a conspiracy." He said he also had no doubt that Lonrho would win at the trial and get justice for its shareholders.

House of Fraser could see no realistic prospect of the action succeeding at trial, said its media director, Mr Michael Cole.

The interesting feature of the case, he said, would be that Lonrho would be compelled to give evidence for the first time about why it had not chosen to bid for HoF, when it had the clearance of the takeover panel, before the Fayeds increased their shareholding beyond 29.9 per cent.

"House of Fraser has always contended that Lonrho simply did not have the financial resources to make a counter bid, and it has little doubt that the wide-ranging discovery of Lonrho's records which the court will now order will emphatically confirm that contention," Mr Cole said.

Because the action had barely been started when it was challenged, it could be another two years before it is ready for trial.

Lex, Page 18; Lonrho results, Page 25

Nissan Motor revises UK import-export agreements

NISSAN Motor, the Japanese car maker, is having to revise its UK import and export arrangements because of the breakdown of its relationship with Nissan UK (NUK), the independently-owned car distributor writes Chris Tighe.

Under the existing deal between the two companies, NUK is responsible for the import of all Nissan vehicles into the UK and for their distribution.

Since 1970, NUK has brought in more than 1.5m Nissans and its two import terminals, at Teesport and Bristol, will this year receive and distribute 90,000 Japanese and Spanish-made Nissan vehicles.

But Nissan Motors' decision to cancel its contract with NUK at the end of December 1991 means the Japanese car maker now faces a race against time to set up alternative import arrangements.

Logistical studies into the problem, now being undertaken by the company, are examining where future exports from its plant in Sunderland, north east England, should be handled.

Talks are taking place between Nissan Motor and the THPA, whose Tees Dock currently handles all car exports from Sunderland and 65 per cent of NUK's imports.

But other ports are pitching for the Nissan contracts including the Port of Tyne, which recently won an import deal from Mitsui OSK for container loads of parts for the Sunderland plant.

Lloyd's aims to ride out storm over losses

Richard Lapper examines the prospects of the market emerging in a slimmer form

IT has been a traumatic week for Lloyd's Names, the wealthy individuals who back underwriting at the London insurance market.

Losses of £510m for 1988 announced on Wednesday were the insurance market's first overall losses for over 20 years and Names face demands to stump up an average of over £16,000 each over the next few weeks.

But Lloyd's as whole is very far from the kind of catastrophic melt-down scenario being predicted in some quarters.

Although the picture for the next two years is very bleak – both 1989 and 1990 will be loss making years – there are signs that insurance rates are increasing in some areas, while Lloyd's chairman Mr Coleridge appears to be winning support for a programme of reform designed to overhaul anachronistic business structures and increase efficiency and competitiveness.

Over the next few months well over half of the 26,500 Lloyd's Names will be asked for cash to meet 1988 losses. Many will face further demands from their syndicates to meet claims from the natural and man-made disasters that hit the market in 1989 and 1990.

Lloyd's, however, has insisted that it will not force Names into bankruptcy. Disgruntled Names facing insolvency paint a bleak picture of life on what they scathingly label the "Mother Archer's rubbish heap", but the Lloyd's hardship committee – chaired by Mrs Mary Archer – will keep a roof over their heads.

Up to 5,000 Names are widely expected to announce their intention to leave Lloyd's by the 31 August deadline.

Any contraction in the market's capacity will need to be very steep indeed to adversely affect immediate business prospects. In 1990 Lloyd's capacity of over £11bn was equal to twice the amount of premium income actually received, indicating a substantial amount of overcapacity.

Indeed a reduction in capacity could actually prove beneficial by reducing competition within the Lloyd's market itself and making it easier for underwriters to push through increases in premium rates.

The key to success in the longer-term will be the success of efforts by Mr Coleridge to promote rationalisation and efficiency at Lloyd's.

A slimmer market will emerge if, as forecast, if the number of syndicates could falls to 250 by the end of the year, compared with over 400 at the beginning of 1990. "The benefits of the economies of scale are suddenly dawning on people," one Lloyd's insider said yesterday.

A task force made up of leading market players and advised by the international management consultants, McKinsey, is winning a receptive response from traditionally conservative underwriters, brokers and managers as it prepares the way for an overhaul of Lloyd's business structures.

The task force is examining a series of far-reaching reforms, affecting every aspect of the way Lloyd's conducts business.

There have been broad hints from Lloyd's that an end is likely to the principle of unlimited liability, whereby Lloyd's members are liable for insurance losses down to their last personal possessions.

Watchdog finds no evidence of banking cartel

By Robert Peston

THERE is no evidence of a cartel operated by the banks to set interest rates for small and medium size businesses, Sir Gordon Borrie, director general of the office of fair trading, said yesterday.

He has been keeping in close contact with the Treasury, which has been conducting its own enquiry about the banks' lending practices. The Office of Fair Trading (OFT), the UK's competition authority, has also been sifting through complaints about the banks behaviour made to the OFT.

He said there was no evidence of a cartel or collusion between the banks in fixing excessive profit margins or refusing to reduce interest rates in line with the reductions in the base lending rate. There was therefore no likelihood of his taking action against the banks under restrictive practices legislation, unless new evidence was found.

However, both the Treasury and the OFT are concerned that banks have frequently been insensitive in their dealings with small business customers during the past year. They have evidence of banks damaging individual businesses by pushing up charges excessively or reducing borrowing facilities.

Having met the chairmen of all the big banks, the Mr Norman Lamont, the chancellor of the exchequer, is planning to make a statement on the outcome of his review in the next fortnight. The Treasury is expected to put forward proposals to ensure that banks deal with customers' problems more sympathetically.

In the annual report, Sir Gordon said that in 1990 there had been 700,000 complaints to Trading Standards Departments or Citizens Advice Bureaux from people who believed they had been treated badly when buying goods and services.

Lonrho wins legal victory in House of Fraser case

By Raymond Hughes

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ECONOMIC POLICY

Lamont predicts steady decline in UK inflation

By Alison Smith

INFLATION would be down to four per cent by the end of the year and lower still in 1992, Mr Norman Lamont, the chancellor of the exchequer, said yesterday, as the government's policies made "Britain a country with permanently low inflation".

He told the Tory women's conference that Britain's inflation rate was already moving into line with the European average, and was now at its lowest rate for two years.

And he pointed at an increase in savings as "the surest sign that the battle against inflation is being won", and spoke of the scope for greater flexibility in interest rates as inflation comes down.

He was cautious, however, about forecasting when the recovery would start. The government has previously said economic recovery would begin in the second half of the year.

Mr Lamont faced some criticism on the government's economic policy, even among the few speakers from the floor.

Ms Yvonne Constance, a local councillor and partner in a small engineering firm, who called for two successive interest rate cuts of one per cent. "Somewhere the cycle has to break," she said, as she spoke of order books drying up, output down, staff being laid off and salaries being cut.

Lamont: in confident mood

In a later debate on employment, her comments were echoed by Mrs Jeannie France-Hayhurst, a prospective parliamentary candidate. She said that the recession was "far deeper, harder, more hurtful than we realised", and was "taking the good down with the bad".

Mr Lamont emphasised that government alone could not deliver a lasting recovery by stimulating the economy. It would come from firms' controlling their costs, becoming more efficient, and developing new products and markets.

"Governments can't kick-start the economy; governments never succeed in fine-tuning demand...The most important thing the government can do is to control inflation and spending so that business can deliver the goods," he said.

He insisted that he would only cut interest rates when it was safe to do so, but emphasised that he understood the difficulties being faced by business. Handling the economy was not a matter of a choice between inflation and unemployment, he warned.

"The way to get unemployment down – not just temporarily but for next year and the year after that – is to defeat inflation once and for all."

He sought to raise the party's electoral spirits about the state of the economy by insisting that his firm policies would prove not only right but popular. "I have confidence in the British people. They'll respect a government with the courage to choose the right course and stick to it."

The rise and rise of the executive salary

The size of recent pay awards has prompted a public outcry, writes **John Willman**

IT started with Mr Iain Vallance. His pay went up a cool 43 per cent to £536,303 in the year to 31 March 1991. The remuneration of British Telecom's highest paid executive has increased almost fivefold since privatisation, during which period pre-tax profits have doubled.

Protests were loud, not least from the workforce: non-managerial staff had been awarded a 11 per cent pay rise last year; 10,000 jobs are due to be cut next year. Mr Vallance's later announcement that he was donating his £150,000 performance bonus to charity did little to pacify critics.

Next was British Gas, which announced that Mr Robert Evans, its chairman and chief executive had received an increase of 66 per cent. This brought his salary up to £370,083 – Sir Dennis Rooke had got by on £78,845 in 1986 before gas was privatised. £79,240 of Mr Evans' rise was a performance bonus for the 46 per cent rise in pre-tax profits - an increase partly due to the bad weather, British Gas had said earlier when trying to deflect criticism of excessive profits.

Then came the reported 50 per cent rise for Mr William Courtney of Southern Water, up from £80,000 to £120,000. The 50 per cent is widely trailed as the going rate for the other nine water companies. With real increases in water charges over recent years, further obloquy will undoubtedly be heaped on the recipients of such rises.

Finally there was Mr John Baker, chief executive of National Power, who attracted Prime Minister John Major's condemnation when he bravely confessed that his pay for last year had risen 58 per cent to £135,000.

This series of increases offers further support for the findings of Mr Matthew Bishop and Professor John Kay of the London Business School. In a study published in 1988, they concluded that whatever the wider economic effects, privatisation had proved very profitable for the managers of the companies. The salaries of chief executives had risen by an average of 78 per cent in the year immediately after privatisation.

The two men noted that the rise represents a catch-up exercise as top managers' salaries in the privatised industries move towards levels paid to chief executives in the private sector. The scale of the catch-up has been increased by the fact that all top management salaries have grown rapidly in recent years. The salary paid to BP's chairman has risen from 16 times as much as the average member of BP's workforce was paid in 1985 to 53 times last year. For British Gas, the figure has risen from the very low 5.6 times the average workforce salary in 1986 (the year before privatisation) to 21 times in 1991.

Robert Evans: the British Gas chief received a pay increase of 66 per cent

These well-publicised increases appear to flout normal practices in setting salaries – that they should be set sufficiently high to recruit and retain suitable individuals. Far from attracting new talent, most of these rises have been paid to people who have done the same jobs for many years. And there is little evidence that senior managers are leaving privatised utilities in droves because of low pay.

Some newly privatised utilities have had to pay higher salaries to build up their managerial strength. Hoisting pay when filling posts at least allows those who recommend the salaries to cite market forces as a justification.

And chief executives of other companies could claim that their jobs have become significantly harder. But, in most cases, they are managing utilities which are monopolies or quasi-monopolies selling essentials of life such as water and power to a captive market. It doesn't require top-drawer management skills to achieve a steady rise in profits in such circumstances, particularly given the careful preparations made in floating any company to ensure a rising profits curve.

BRITAIN IN BRIEF

Compromise offered over trading row

A compromise solution to end the legal tangle surrounding Britain's Sunday trading laws has been put forward by the Association of District Councils, whose member authorities are in the front line of the conflict with retailers.

The ADC proposes that DIY stores and garden centres should open from noon to 6pm, and convenience stores, including newsagents and corner shops below 3,000 square feet in area, should be allowed to open without restriction.

The proposal would mean that restrictions on trading on Sundays would be based on the principal use of premises rather than on the types of goods sold, which is the basis of the current often-flouted law.

Tenders for frigates invited

An invitation to tender for up to three more Type 23 anti-submarine frigates has been announced by the government.

Invitations to tender were issued to Yarrow, Swan Hunter, Vosper Thorneycroft, and VSEL. Studies into the design of a new hunter-killer submarine based on the current Trafalgar class, to replace the Swiftsure class were also announced.

Spending decline slows

Capital spending by UK manufacturing industry fell less than thought in the first quarter of this year, according to official figures.

The Central Statistical Office reported that manufacturers' capital spending, including leased assets, fell to a seasonally adjusted £2.69bn, at 1985 prices, in the first quarter, representing a 6 per cent drop compared with the previous quarter and a 16 per cent decline since the first quarter of 1990. In the middle of May, manufacturers' spending, in 1985 prices, had fallen 11 per cent to £2.57bn.

Union talks 'make progress'

North Sea oil unions claimed progress in talks with employers on a pay and conditions agreement for offshore workers covering the "post-hook-up" stage of work, when oil and gas production is under way.

Mr Tom MacLean, chairman of the offshore unions committee, told the Confederation of Shipbuilding and Engineering Unions annual conference there were "signs that the companies involved may not offer the same resistance that they have in the past".

Fairer housing benefits urged

Mortgage tax relief should be phased out for home owners to allow a fairer system of housing benefits to be introduced, allowing assistance to be channeled to those in most need according to the report of the Duke of Edinburgh's inquiry into British housing.

The report, by the Joseph Rowntree Foundation, a housing charity and research organisation, says substantial resources are needed to tackle homelessness and poor housing.

Rethink sought on submarines

Urgent reconsideration of plans for reducing Britain's fleet of non-nuclear submarines has been demanded by the House of Commons defence committee.

The committee also called on the Ministry of Defence to be "more candid" about problems affecting the reactor systems of nuclear-powered submarines.

Demand for adult training

The government is to urge employers and unions to accept wider differentials between the earnings of semi-skilled workers and manufacturing craftsmen and technicians in order to improve the incentives for adult workers to train.

Employment ministers want to persuade negotiators to widen differentials to raise the number of foremen and technicians to the levels of those in France and Germany.

Judge calls for law reform

Lord Donaldson, the Master of the Rolls, attacked the recent obsession with looking for alternative ways of resolving commercial disputes and called instead for the introduction of simpler and cheaper litigation and arbitration procedures.

In a speech to commercial lawyers in London, Britain's most senior civil court judge said alternative dispute resolution was no more than a public relations dream which conjured up visions of a factor "X" which would do for dispute resolution what it was said to have done for washing powders and petrol.

Code on 'cold calls' published

The Securities and Investments Board published revised rules for unsolicited approaches by salesmen of all types of investment products. Its new common code on so-called "cold calling" replaces various different rules applied in different branches of the investment industry.

Magazine may be taken over

Guardian Newspapers is considering taking over Marxism Today, a left-of-centre monthly magazine.

Based in the Guardian's London offices, it would be replaced with a new magazine covering a wide range of political, economic and cultural issues.

A clash of ethics and commerce

By Vanessa Houlder

The Church Commissioners are facing a twin challenge as recession weakens their investment income and as their ethical approach to business comes up for scrutiny in a court case in the autumn.

The Commissioners, investment arm of the Church of England, are one of the nation's largest landowners with farms, shops, offices, flats and houses worth a total of £1.2bn.

Recession has nevertheless hit the Commissioners' overall investment return, in particular affecting new property developments. This month, the Commissioners announced they would have to cut £4m from their contribution to the costs of clerical stipends and housing as a result of the stagnation of their investment income.

While the recession takes its toll, the Church is also being accused of paying too much attention to commercial returns and not enough to ethical issues. After rumbling for decades, criticism on these grounds has come to a head this year. The Bishop of Oxford is to challenge the Commissioners' attitude to their investments in a High Court hearing due in the first week of October.

The issue the court must decide is whether the Commissioners are right to treat maximisation of returns as their overriding responsibility. The Commissioners, which provide half the clergy's income and all their pensions, believe their duty is to provide support for the promotion of the Christian faith through the Church.

Opponents believe it is wrong for the clergy to be financed by an investment policy no Christian would adopt personally. They want land to be used for low-cost housing and to promote employment, especially in the inner cities.

Sir Douglas Lovelock, the first church estates commissioner, says: "People have to be realistic. What do they want us to put our money in? We are sitting on £3bn which we have to invest somewhere to maintain the parochial ministry. Where can you put it that is totally pure?"

In practice, the Commissioners take account of ethical issues. They avoid investing in companies with a heavy involvement in arms, alcohol, gambling and tobacco; they seek to invest in companies sympathetic to the environment; and make investments in inner-city workshops to help local employment and help provide affordable housing.

Sir Douglas concedes that the Commissioners' attempts to help with housing and employment are marginal. "There are charities set up to help with housing but we are not one of them," he says. Even when these activities produce a reasonable return, they call for an enormous commitment of management time. The management effort required to set up a £1m light industrial centre for small businesses in Walsall was out of all proportion to that involved in picking up a telephone and investing £1m in, say, Marks and Spencer, says Sir Douglas.

The Commissioners feel there is a limit to how far they can take account of environmental concerns in choosing whether to develop land. "The interests of our beneficiaries must come first," says Sir Douglas. "I think we are more sensitive than most to local opposition," he adds.

The Commissioners also tread a fine line between ethics and commercialism in seeking tenants for their properties. "If somebody said we would like to open a cinema and we shall be showing only adult films, we would not have that. But we would not go to the other extreme and say adult films can never be shown. It is impractical. You cannot lay that sort of burden on a tenant."

A similar approach is applied to pornography and alcohol: the Church would not invest in companies that specialised in them, but would not rule out shops selling a small amount of dubious literature or alcohol.

Sir Douglas adopts the same pragmatic approach to the Commissioners' investment returns. He recognises that the Church's investment allocation has far more property and far fewer equities than the average pension fund. He says the portfolio is gradually changing, although he doubts if it will ever mirror a typical fund.

Though the Commissioners have gradually shifted their investments from gilt-edged securities and property since they were formed in 1948 property still accounts for 49 per cent of their investment portfolio.

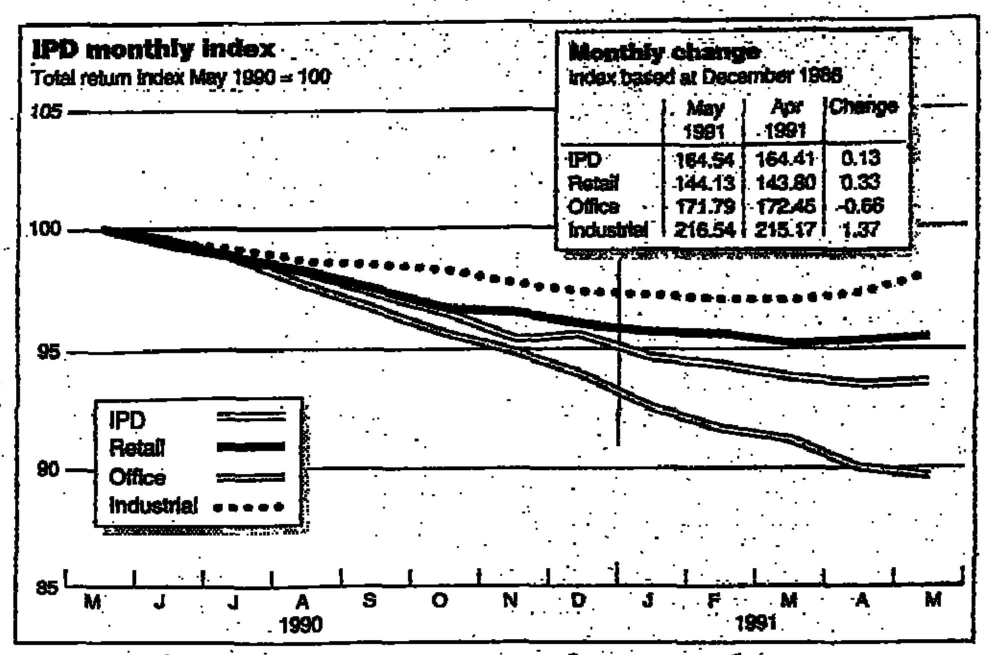
Since they first developed properties in the mid-1950s the Commissioners have been responsible for a string of office, retail and industrial developments, of which the best-known is probably the MetroCentre at Gateshead, one of the prime shopping centres in the country. They have a large development programme, valued at £244m compared with £908m of income-producing investments.

High interest charges and falling values have forced the Commissioners to call a moratorium on development, a move that prompted Mr Michael Hutchings, to quit as head of the property division in April.

After Mr Hutchings' departure the Commissioners announced that they had sold £150m of property. They have no immediate plans for further sales, although they intend to reduce their dependence on property gradually.

Decisions of the Church Commissioners are formed after "lively debates" at the monthly meetings of the asset committee which includes leading City and property figures. Overall their record is creditable. For most of the 1980s, stipends and pensions grew rapidly. Last year's income rose by 17 per cent to £165m, while investment properties fell by 16 per cent, compared with the average institutional decline of 20 per cent last year.

The outlook is less encouraging. Income will rise this year but will flatten out in 1992-3. As the Commissioners' obligation to pensioners is rising, contributions to stipends will have to be cut. Sir Douglas argues that a more generous contribution from the parishioners will have to make up the shortfall. "The Church has always responded to a challenge of this type."



Monthly change
Index based at December 1986

	May 1991	Apr 1991	Change
IPD	164.54	164.41	0.13
Retail	144.13	143.80	0.33
Office	171.79	172.45	-0.66
Industrial	216.54	215.17	1.37

London rents continue down

THE commercial property market's first positive total return since January 1990 was recorded in May by the Investment Property Databank, an independent research body.

It attributed this to resilient income returns and the continued relaxation of the downward pressure on capital values. Yields showed further evidence of stabilising in all three sectors.

However, monthly rental value growth became strongly negative, with the IPD Rental Index making its biggest ever monthly fall. It dropped nearly one and a quarter points, bringing the 12-month figure for rental value movement down close to zero.

"The Commercial Property Contract, based on the IPD Capital Growth Index, has revised its bullish figures downwards in the light of these latest rental figures," commented IPD.

London property continued to pull down the overall results, with annualised rental value growth of −4.8 per cent and a total return of −11.7 per cent.

All three sectors recorded higher capital growth and total returns in May than in the previous month, particularly the office sector. Year-on-year returns to offices stood at −12.2 per cent, far below the −5.8 per cent and −3.7 per cent for retails and industrials.

After two months of static rental value growth in the retail sector, there was a marked fall in May to −0.4 per cent. In the office sector, rental value growth slid sharply to −1.3 per cent, with an 0.8 per cent rise in total return and capital growth over the month. The industrial sector recorded a total return of 0.6 per cent for the month.

MANAGEMENT

Accelerated product development

Competition intensifies in the fast track

After two decades of obsession with cost and quality, speed is now the key issue. Christopher Lorenz reports

Two years ago Hewlett-Packard was being hailed in the American business press as a "superfast innovator" for having more than halved the time it took to develop new computer printers, from 53 months to 22. Last month, HP revealed that it is on the way to halving that again, to under a year.

In copiers, Xerox has learned from its Japanese affiliate, Fuji-Xerox, how to accomplish a similar achievement. Between 1962 and the late 1980s it halved its development cycle to three years and now plans to cut out another year by 1993.

It is the same story in virtually every industry around the world. From Japan to the US, Korea to Europe, and from cars and electronics (the best known cases) to aircraft, construction machinery, drugs, detergents and food, manufacturers are engaged in an accelerating race against "time to market".

"All nations now face one inescapable rule – the survival of the fastest," as Alvin Toffler, best known for his books Future Shock and The Third Wave, puts it.

Closer to the corporate coal-face, John Sculley, *president of Apple, con*firms that "companies that can quickly get ideas and information through their organisations for discussion and action will have distinct competitive advantages over others".

So demanding is time-compression becoming – not just in the development of new products and services, but also in factory throughput, market response times, and almost every other aspect of business – that consultants are turning "time-based competition" into big business.

George Stalk and Tom Hout of the Boston Consulting Group go so far as to claim that, after two decades of industry obsession with cost and then quality, time is now "the key performance variable" to be managed to attain competitive improvements in all aspects of a business.

"*Time compression* is the fundamental change enabling the Japanese to increase the variety and technological sophistication of the products and services they offer," argue the BCG consultants. "Time is the secret weapon because advantages in response time lever up all other differences that are basic to overall competitive advantage. Some western managements know this, others are learning; the rest will be victims."

The reasons for the growing rush to get *products to market* ever more quickly have been evident since 1984 – see Checklist.

What have been less apparent are the answers to one of today's most thorny management conundrums: what companies need to do in organisational terms to continue to run this never-ending race. They must learn how to gird themselves up, not just for the first high-speed lap, with its near-halving of development time on one or two "hero projects", but also how *to accelerate rapidly around* the second and third laps, and beyond – not just on selected high-profile projects, *but as standard practice on* almost every new product throughout the organisation.

Plenty has been written over the past seven years, and much hard corporate experience gained, about the need to take four essential steps:

- To run in parallel the various phases of the design and development process – not only of new products, but also of the machines which will make them. The traditional development process in most companies of any *size outside* Japan (though not in small companies) has always been sequential, with one department handing a project "over the wall" to the next, rather like the passing of a baton in a relay race. All too frequently the baton tends to be dropped, or has to be handed back a phase or two to be redesigned – whether for reasons of cost, performance or manufacturability.

In the mid-1980s academics began to spread word of the much faster and more reliable practice in Honda, Fuji-Xerox and other Japanese companies of overlapping the phases across each other. A trio of sports-minded Japanese professors quickly dubbed this approach "rugby team tactics", because of the way that the ball (project) is passed from player to player and back again right through the development "game".

American corporate practitioners, who have learned the game's new rules, but who do not take easily to rugby metaphors, have rechristened the approach "concurrent" or "simultaneous" engineering.

The trouble is that companies in the US and Europe have found it easier to make the approach work on one-off projects, such as IBM's legendary double-quick development of its first personal computer, than on their regular flow of new product projects.

- To get different functional specialists from marketing, design, engineering, production and so forth, to collaborate more effectively, by pulling them together in project teams dedicated to the particular task in hand.

Here, the trouble is that such teams are much harder to operate effectively than most companies realise in their first flush of enthusiasm. In particular, the team leaders in many western companies lack muscle vis-à-vis the heads of functional departments. This is frequently because of the lack of a strong "product management" – or what some companies call "programme management" – function.

Again, it is far easier to manage one-off projects in this way, through "skunkworks"-type teams – working independently of the mainstream organisation – than to turn the whole company over to a matrix structure in which project teams and functional departments operate in productive co-existence. Stalk and Hout of BCG call the use of skunkworks "an admission of defeat". They argue that "the *fast innovator is a* company that involves all its departments in the innovation process".

- Limit the degree of product change from generation to generation as much as possible. This "incremental" approach to innovation has been practised *par excellence* by the Japanese, and to a considerable extent by German industry. It makes product development, and production start-up, far easier and speedier to manage than the traditional Anglo-Saxon approach of taking a great leap forward in each product generation.

It is also one of the main reasons why, in most industries, Japanese development and engineering productivity is so much higher than in the west and why the Japanese can afford much more frequent product introductions than their European or American competitors. "Ninety per cent of Japanese new products tend to be the same as the previous model," says a senior manager of a western engineering company facing intense competition from Japan.

"There is an optimum size of incremental *innovation for any given prod*uct in any given company," says P Ranganath Nayak, a senior vice president of Arthur D Little, a consultancy in the management of technology. "Most companies have tried to do too much in very large lumps."

- To avoid following a single product development formula and instead tailor one's tactics to the particular competitive, economic and technological situation of each industry, company and product line. Edward Krubasik, *head of McKinsey & Co's* European technology practice, draws a particular distinction between the tactics to be used in two circumstances: first, when, as with the IBM PC and most other electronic products, early entry into a fast-moving "market window" is the over-riding objective; and, second, when, as with a major airliner, the prime issue is what he calls "development risk", in terms both of technological innovation and the high level of development costs.

In the first case, Krubasik advises companies to adopt what one might call a crash programme, while in the second he favours a lengthy planning and design cycle followed by a costly engineering effort to ensure that every detail is 100 per cent right.

As Krubasik points out, many new product projects are much harder to manage because they lie in between these two extremes, with a relatively high development risk *and* a narrow market entry "window" – for example Northern Telecom's first digital telephone exchange, or Glaxo's development of the Zantac anti-ulcer drug, which it accomplished in just over five years, against the pharmaceutical industry's norm of seven to 10 years.

Until the late 1980s, most *companies* would have classed themselves as occupying this difficult middle ground; they thought they suffered from a high degree of both market and development risk. The uninitiated also argued that fast product development would automatically inflate their development costs, rather than cause development to be managed more *effectively, and therefore* often more economically.

Since then, a growing number of companies has learned that it is worth streamlining their development process for cost reasons alone; Volvo and machinery makers such as Britain's APV began doing so before they realised that a shortening of market entry "windows" was also starting to be a factor for them.

JCB, the UK construction machinery maker, says that, on its next prod*uct development project, it plans* to knock a full year off the traditional JCB development cycle of just under three and a half years.

Seven years ago, when the concept of "rugby team tactics" was first exported from Japan, companies in industries in relatively long-cycle industries such as JCB's needed to pay little attention to the timescale and cost of developing a new product.

It is a measure of the ever-tightening screw of time pressures that a *construction equipment* maker now has to talk the same language as every maker of cars, computers, consumer electronics and confectionery.

Further articles on this topic will follow during the summer.

CHECKLIST

The near-universal race to shorten the "time to market" of new products, and therefore to slash development cycles, has been caused by the interaction of a set of economic, market, technological and managerial pressures. They include:

ECONOMIC & MARKET

- ☐ Slower world growth
- ☐ New industrial competitor nations

Which have led to:

- ☐ Cost pressures
- ☐ Hectic hustle for markets
- ☐ Geographic/product diversification
- ☐ Globalisation of markets/segments/products
- ☐ Near-simultaneous product launches around the world
- ☐ Rapid emulation of competitors' products
- ☐ More demanding, sophistocated customers

TECHNOLOGICAL

- ☐ Pervasiveness of electronics
- ☐ Short life-cycles of electronics

Have led to:

- ☐ Shorter product *life-cycles* in many industries
- ☐ Accelerated global diffusion of technology
- ☐ *Difficulty of sustaining* technological advantage

Meanwhile other factors:

- ☐ Rising cost and risk of development
- ☐ Fewer technological breakthroughs
- ☐ Introduction of computer-aided design & manufacture
- ☐ Better testing techniques

Have together led to:

- ☐ Shift to "incremental" innovation
- ☐ Reinforcement of pressure to accelerate development

MANAGERIAL

Conscious changing of rules of competitive game by:

- ☐ Splintering of mass market into segments
- ☐ *Shortening of product life-cycles*

Have led to:

- ☐ Acceleration of rate & scope of product introduction
- ☐ Extra urgency of cutting development times

These factors have been reinforced by recognition that:

- ☐ Shorter development times improve quality and can cut costs
- ☐ Early product introduction enhances: progress down production learning curve/premium pricing freedom/sales life/market share/margins
- ☐ Frequent product introduction allows design modifications and technological changes to be incorporated more often/occupies dealer channels/creates customer perception of innovative leadership.

CONTRACTS & TENDERS

PRIVATISATION IN GREECE

INVITATION FOR EXPRESSION OF INTEREST in the buy-out of HELLENIC INDUSTRIAL MINERALS (ELVIOR) S.A.

Within the framework of the Greek Government's privatisation policy, the *Hellenic Industrial Development Bank ("ETBA")* intends to sell its shareholdings in *HELLENIC INDUSTRIAL MINERALS (ELVIOR) S.A. ("the Company")* to interested investors. *KIDDER, PEABODY & Co. Inc. (Kidder)*, in association with *KOURI CAPITAL Greece Ltd. (Kouri), has been exclusively mandated by ETBA* to act as financial advisor in the divestiture of the above shareholdings.

The Company

ELVIOR was established in 1976 with the purpose of mining, beneficiating and selling quartz. The quality of the product is excellent (SiO_2 content: 99.5%). Eighty percent of the output is exported and used for the production of metallic silicon and the rest of it in the production of various metal alloys. *The Company's* headquarters are in Thessaloniki, while the production facilities are located in the area of Examili of the Prefecture of Thessaloniki.

Financial Highlights

(GRD in millions, US$ in thousands)

	1988		1989		1990	
	US$	GRD	US$	GRD	US$	GRD
Sales	606	86	880	143	568	90
Gross Profit (Loss)	197	28	302	49	227	36
Total Assets	698	102	705	113	887	140

Privatisation Procedure

The privatisation process is a selective and controlled auction, involving three distinct phases:

1. Initially, interested investors could request the confidential Offering Memorandum from *Kidder* or *Kouri*.
2. In the second stage, investors expressing formal interest in the acquisition of *the Company*, and after executing a *Confidentiality Agreement*, will be given access to further information, the management and the facilities of *the Company*.
3. A limited number of investors participating in this stage will be asked to submit to *Kidder and Kouri* by noon time (12:00) on July 24th, 1991, definitive binding proposals for the acquisition of the shareholdings of *ETBA* to the *Company*.

Firm offers submitted will be reviewed and evaluated by *ETBA*, *Kidder* and *Kouri*.

ETBA reserves the right to invite investors to submit improved offers, to reject all offers submitted, or to modify the acquisition procedure, should this be to the interest of *ETBA* or of the *Company*.

For the Offering Memorandum, as well as for further information on the proposed sale procedure and the timetable, interested investors should contact:

Kouri Capital Greece Ltd
Kifissias 294, 152 32 Halandri
Athens, Greece
Tel: 30-1-684 6618
30-1-684 6205
Fax: 30-1-683 0892
Attn: Dr. Anthony P. Zioudas, Managing Director

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Vice President

PRIVATISATION IN GREECE

INVITATION FOR EXPRESSION OF INTEREST in the buy-out of HELLENIC MARBLES S.A.

Within the framework of the Greek Government's privatisation policy, the *Hellenic Industrial Development Bank ("ETBA")* intends to sell its shareholdings in *HELLENIC MARBLES S.A. ("the Company")* to interested investors. *KIDDER, PEABODY & Co. Inc. (Kidder), in association with KOURI CAPITAL Greece Ltd. (Kouri)*, has been exclusively mandated by *ETBA* to act as financial advisor in the divestiture of the above shareholdings.

The Company

HELLENIC MARBLES S.A. was established in 1961 with the purpose of mining, treating and selling marble and its byproducts. The quarry is on Mount Penteli and the treatment facilities in Agios Stefanos of the Prefecture of Attiki. It is the only company with mining and exploitation rights of the worldwide famous Pentelikon marble.

Financial Highlights

(GRD in millions, US$ in thousands)

	1988		1989		1990	
	US$	GRD	US$	GRD	US$	GRD
Sales	1,368	194	1,779	289	2,315	367
Gross Profit (Loss)	296	42	548	89	593	94
Total Assets	2,163	316	2,408	386	2,680	423

Privatisation Procedure

The privatisation process is a selective and controlled auction, involving three distinct phases:

1. Initially, interested investors could request the confidential Offering Memorandum from *Kidder* or *Kouri*.
2. In the second stage, investors expressing formal interest in the acquisition of *the Company*, and after executing a *Confidentiality Agreement*, will be given access to further information, the management and the facilities of *the Company*.
3. A limited number of investors participating in this stage will be asked to submit to *Kidder* and *Kouri* by noon time (12:00) on July 23rd, 1991, definitive binding proposals for the acquisition of the shareholdings of *ETBA* to the Company.

Firm offers submitted will be reviewed and evaluated by *ETBA*, *Kidder* and *Kouri*.

ETBA reserves the right to invite investors to submit improved offers, to reject all offers submitted, or to modify the acquisition procedure, should this be to the interest of *ETBA* or of the *Company*.

For the Offering Memorandum, as well as for further information on the proposed sale procedure and the timetable, interested investors should contact:

Kouri Capital Greece Ltd
Kifissias 294, 152 32 Halandri
Athens, Greece
Tel: 30-1-684 6618
30-1-684 6205
Fax: 30-1-683 0892
Attn: Dr. Anthony P. Zioudas
Managing Director

Kidder, Peabody & Co. Inc.
10, Hanover Sq.,
New York, N.Y. 10005
Tel: (212) 510 4206
Fax: (212) 558 6811
Attn: Mr. Chris Pavlides
Vice President

FT LAW REPORTS

Bank is too late to reject credit

BANKER'S TRUST CO v STATE BANK OF INDIA
Court of Appeal (Lord Justice Lloyd, Lord Justice Farquharson and Sir John Megaw): June 13 1991

THE ISSUING bank under a letter of credit which is subject to the Uniform Customs and Practice, must examine presented documents and decide whether to reject them for discrepancies within a reasonable time; and although a "reasonable time" includes time necessary in the circumstances for consultation with experts or with the applicant for credit, to enable the bank to make its decision, it does not include time for the applicant to examine the documents.

The Court of Appeal so held when dismissing an appeal by the plaintiff, Banker's Trust Co, from Mr Justice Hirst's decision (*FT, August 8 1990*) that it was not entitled to a refund of $10.335m paid to the defendant, State Bank of India, the confirming bank under a letter of credit.

Article 15 of the Uniform Customs and Practice for Documentary Credits, 1983 Revision, provides: "Banks must examine all documents ... to ascertain that they appear ... in accordance with the terms and conditions of the credit".

Article 16: "(b) If upon receipt of the documents the issuing bank considers that they appear ... not to be in accordance with the ... credit, it must determine on the basis of the documents alone whether to take up such documents or to refuse them ... (c) The issuing bank shall have a reasonable time in which to examine the documents and to determine as above whether to take up or to refuse the documents. (d) If the issuing bank decides to refuse the documents it must give notice to that effect without delay ... Such notice must ... state whether it is holding the documents at the disposal of, or is returning them to the presentor ... The issuing bank shall then be entitled to claim ... refund."

LORD JUSTICE LLOYD said that on September 3 1988, 22,000 metric tons of steel was shipped from India on the Forum Power, under a contract of sale.

Letters of credit to the value of $10.45m were presented by the sellers to State Bank as confirming bank on September 9. State Bank paid that day.

It was a special term of the credit that State Bank, having paid, was entitled to claim reimbursement from the issuing bank, Banker's Trust, by certifying that all terms and conditions of the credit had been met.

So Banker's Trust *was* obliged to pay State Bank *before* it had had a chance to examine the documents.

On September 12 State Bank claimed $10.335m. Banker's Trust reimbursed it.

The original documents reached Banker's Trust on September 21. On September 30 it refused the documents, saying they did not conform to the credit. It claimed a refund of the amount reimbursed.

The credit was subject to the Uniform Customs and Practice for Documentary Credits, 1983 Revision.

State Bank said Banker's Trust was precluded from claiming that the documents did not conform to the credit, because it had failed to act in accordance with article 16(c) and (d) of the code.

It said Bankers Trust had exceeded the "reasonable time" under article 16(c) to examine the documents and determine whether to take them up.

The documents reached Banker's Trust at noon on Wednesday, September 21. It started checking the following morning. On Friday, September 23 it phoned the buyers to say discrepancies had been found. The buyers asked to see the documents. Bankers Trust finished checking during the morning of Monday, September 26. The documents were despatched to the buyers that day.

On Thursday September 29 the buyers returned the documents, having had them for about 72 hours. They had identified 46 discrepancies. Banker's Trust then began a final check. On Friday September 30 at 7.21pm it telexed State Bank refusing the documents owing to discrepancies, and concluding "Documents ... will be at your disposal after payment to us".

If one approached the question of reasonable time in which to examine documents and determine whether to accept them as a question of fact, eight days was excessive.

There were 967 pages to be checked.

Weighing up all the evidence and taking all the circumstances of the particular transaction into account, eight working days was too long.

In London a major bank such as Banker's Trust should have been able to examine the documents and reach a determination in substantially fewer than eight working days.

Approaching the case as a straightforward question of *fact, the appeal would be dismissed.*

However, there was a question of principle as to whether "reasonable time" included time for the issuing bank to consult its customer.

In *the Royan [1987] 1 Lloyd's Rep 345* Mr Justice Gatehouse held that words must be read into article 16(b) entitling the bank to consult its customer, and that therefore the reasonable time under article 16(c) must be extended to cover the consultation period.

Mr Justice Hirst declined to follow *the Royan.*

Under article 15 the bank had the task of examining the documents. Nothing in article 15 suggested the task should fall on the customer as well.

When article 16(c) provided that the issuing bank should have a reasonable time in which to examine the documents, those words meant what they said.

A reasonable time for the bank to examine the documents could not be extended by a further period to enable the customer to examine them.

The next question was whether there should at least be time for the customer to be consulted.

The plain meaning of the code was that reasonable time under article 16(c) was a reasonable time for the *bank* to examine the documents, and for the *bank* to determine on the basis of the documents alone whether to accept them or not.

If it had been intended that the bank should also be allowed time to consult its customer it would have been easy to say so by insertion of "after consulting with the applicant" in article 16(b). There was no reason to read in those words, whether as a matter of construction or, as Mr Justice Gatehouse thought, or as a matter of implication.

The second big question of principle was whether by giving notice that the documents would be at State Bank's disposal after payment, Banker's *Trust failed to comply with* 16(d).

Article 16(d) provided that the issuing bank's notice of refusal must *state* whether it was holding the documents at the presentor's disposal or was returning them.

The telex of September 30 was not good notice. Its effect was that the documents were not at the buyers' nor the sellers' disposal until Banker's Trust had been paid.

The appeal was dismissed.

LORD JUSTICE FARQUHARSON agreeing with Lord Justice Lloyd on all points except as to whether the bank should be allowed extra time for consultation, said that a document might be in a foreign language, or its technical nature might require an explanation from an expert.

Reasonable time must mean reasonable in all the circumstances, and the circumstances would include the need for consultation of that nature.

Similarly if it was the custom among bankers, as the evidence disclosed, to enquire of the applicant for a letter of credit whether it wished the bank to reject discrepant documents, it should be permitted to do so within the ambit of reasonable time required to make its determination.

An issuing bank acted within a reasonable time if it consulted where necessary a translator, an expert in the commodity sold, or its applicant for the purposes described.

SIR JOHN MEGAW, also agreeing with Lord Justice Lloyd except on the consultation point, said it was accepted that consultation as to whether the applicant would wish to take up discrepant documents was not prohibited by the code. Also it was accepted that the practice of such consultation was in the interest of both parties to the contract.

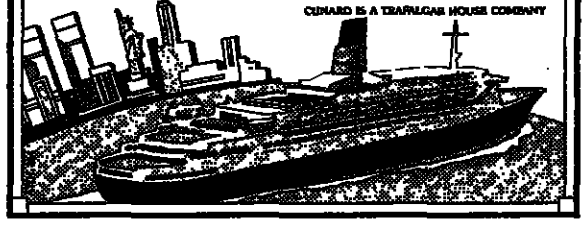
Once those two propositions were accepted, there was no ground for contending that time reasonably spent in consultation to assist the bank in its determination, was excluded from assessment of reasonable time.

The appeal was dismissed.

For Banker's Trust: Peter Goldsmith QC and Julian Flaux (Linklaters & Paines).

For State Bank: Peter Scott QC and Mark Hapgood (Slaughter and May).

Rachel Davies
Barrister



Chinese walls at the V&A

Susan Moore finds Mr T.T. Tsui's gift very informative

There are seven entrances to the new T.T. Tsui Gallery of Chinese Art at the V&A. At two, the visitor is invited to touch – yes, touch – the first thing he or she sees: a blue and white Ming vase, or a 400-year-old carved serpentine head. Gimmick? Not entirely, for the handling of works of art is pleasurable and informative.

Ambivalence accompanies one throughout. It is an irritant because in most respects this radical new gallery is as it should be. The objects on display are breathtaking, and beautifully presented, and I defy almost anyone to claim that they did not learn a great deal.

The old gallery was effectively a gallery of Chinese ceramics with a few others things for good measure. In the new display, there are not only more objects on show – around 600 – but their range reflects the fact that the museum has the broadest base of any Chinese collection in the West. Up to date lighting and humidity control systems have allowed the display of many things for the first time, including 1,000 year-old Tang textiles, and exceptional lacquer. At last we can take a proper look at the museum's greatest Chinese treasure: the only 15th century lacquer table in the world, and the only surviving major piece from the Imperial "Orchard Factory". Surprisingly it is not illustrated in the companion volume to the gallery (V&A Publications, £19.95).

What is radical is the way in which the exhibits have been presented. Gone is the conventional art historical approach where works of art are arranged chronologically. Instead we find thematic groupings designed to tell us how objects were used in order to make Chinese culture more accessible. Cases are devoted to "eating and drinking", "living", "ruling", "collecting", "temple and worship" and "burial". The workaday finds itself next to the precious.

New research in the museum has revealed a great deal more about use. A case in point is the Yuan-Ming celadon dish made for ornamental displays of fruit. Here we see it piled high with satsumas to reveal the rich colouristic resonance between orange and celadon green. It might have been a good idea if the satsumas had not been plastic.

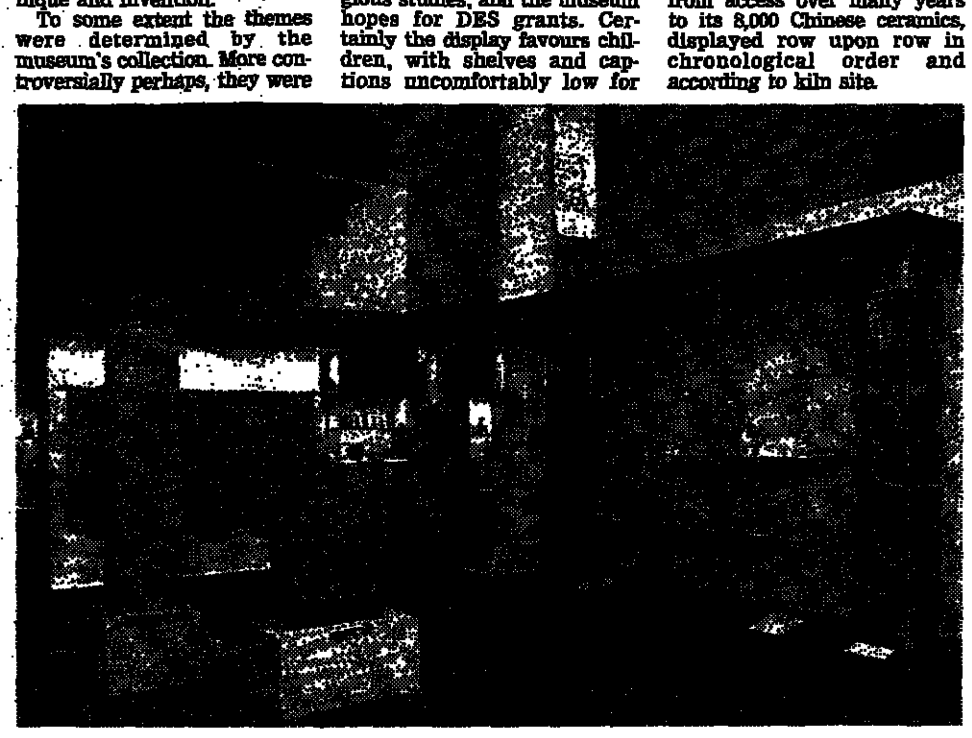
The onus is on the culture and society which produced these objects rather than the objects themselves. Certainly they make for fascinating cultural history, but it is almost incidental that these "historical documents" happen to be exceptionally rare and beautiful, or tours-de-force of technique and invention.

To some extent the themes were determined by the museum's collection. More controversially perhaps, they were influenced by what consumer research said the public wanted to know. This is fine, assuming the customer is always right. Here we see scholarship at the service of market forces.

Market research was funded in part out of the £1.25m that the Hong Kong businessman and collector, Mr T.T. Tsui, generously donated to the V&A for a new gallery – the largest amount ever given by any individual. His gift also pays for the new post of Chinese Community Liaison Officer at the museum. The three aspects to the project reflect the V&A's current priorities of education, bringing down cultural barriers, and bringing in more visitors. An education pack is being developed for the teaching of GCSE history and religious studies, and the museum hopes for DES grants. Certainly the display favours children, with shelves and captions uncomfortably low for the average adult. Only occasionally is it simplistic to the point of unhelpfulness.

More complex issues are also touched upon, including restoration, and the faking of collectable items. There are a number of pieces whose labels are eye-catchingly marked with the red FAKE stamp, but there is little academic point in showing such objects if there are no comparable genuine pieces.

The Chinese Department should be congratulated for its exciting and stimulating gallery. That said, we should all bear in mind that Mr Tsui's gift was made out of gratitude. It was at the V&A, he claims, that he learnt almost all he now knows about Chinese ceramics, a passion that has enhanced his life. That came from access over many years to its 8,000 Chinese ceramics, displayed row upon row in chronological order and according to kiln site.



Display in the new Chinese Gallery at the Victoria & Albert Museum

Hedda Gabler

ABBEY THEATRE, DUBLIN

A drawing-room comedy gone mad, Hedda Gabler endures because it is ever open to fresh interpretation. It is neither a heroic melodrama nor a conventional tragedy, but rather an interpretative challenge to both director and leading actress. It has been played in all manner of ways since its premiere a hundred years ago – realistically, symbolically, as black comedy, classical tragedy, as farce, in drag . . .

My memory of a London production some 20 years ago was simply of a very long, very gloomy play. Hildegard Bechtler's set – a bleached-out, underfurnished Victorian drawing-room – defies conventional expectations of claustrophobic Scandinavian gloom, and the smart pace of Deborah Warner's production never flags. This time around it seemed, not exactly short, but never dull.

Fiona Shaw's Hedda immediately presents herself as "sympathetically unsympathetic", (as George Bernard Shaw put it, writing about the first London production in 1891) in the opening scenes with her husband, Tesman, and his impossibly nice aunt Juliane. As the latter promises faithfully to visit "every single day", Fiona Shaw raises the first of several laughs by one tiny flinch.

The text's ambiguous suggestion that Hedda's moods may be explained by an unwelcome pregnancy are established, by Shaw's frequent gestures of hand on back or stomach as incontrovertible fact, one which the audience is never allowed to forget.

Amazingly, this is Fiona Shaw's first professional appearance in her native land, and an extremely accomplished one. As the play progresses, her fluctuations between sarcasm (to her husband) and coquetry (to other men) develop into something infinitely deeper and more desperate. Inner emptiness is expressed in a vacant, open-mouthed stare. The long, low groan which she gives from her downstage corner as Thea announces that she has kept the notes of the missing manuscript is the groan of a she-devil.

But this is by no means a one-woman show. Fiona Shaw's Hedda Gabler meets her match in a Judge Brack played with arrogant sensuality and wonderfully urbane flourishes by Hugh Ross. Ingrid Craigie as the frothy, fluffy Thea brings a finely controlled hysteria to this difficult role. Garrett Keogh makes the most of the unenviable Tesman by playing him like a mildly demented mouse. Doreen Keogh is a suitably cosy, twinkly aunt Juliane. The only disappointment is Robert O'Mahoney as the doomed and dissolute Ejlert Ovborg. It is impossible to see what attraction this charmless greaseball could possibly have for Thea and Hedda.

Deborah Warner's production is not the outstanding, definitive Hedda Gabler; it is unlikely that we will ever see such a thing. But it is a sensible and enjoyable one, memorable for a well-controlled cast and Bechtlar's refreshingly different sets and costumes. The translation, by Una Ellis Fermor, is a linguistically neutral one, evoking the play's European origins rather than creating a regional or contemporary context. This works well in the Abbey, neutralising its existence as Ireland's National Theatre, and emphasising the European links which its new artistic director, Garry Hynes, is keen to foster during Dublin's year as Cultural Capital of Europe, and beyond.

Alannah Hopkin

Garrett Keogh and Fiona Shaw

The Blackboard Bungle

THEATRE ROYAL, STRATFORD EAST

The dear old Theatre Royal in Stratford East is going through a good patch. Last month I wrote about the excellence of its documentary *Black Poppies* which chronicles experiences of Caribbean blacks in Britain. The theatre has scored again with *The Blackboard Bungle* by its resident playwright, Patrick Prior.

The play could have a less flip title. Its subject matter is, on the face of it, unappealing: it concerns the 1988 Education Reform Act which allows state schools to opt out from local authorities. But Prior, a former teacher, is a writer full of promise. His triumph here is to treat the subject as farce with a touch of satire. Prior's jokes are more effective than a dozen serious commentaries.

What looks like a signed photograph of Kenneth Clarke, the Education Secretary, hangs on the wall of the headmaster's study. A smaller photograph of David Mellor, the chief secretary at the treasury, hangs underneath. The school has already opted out and, by all sorts of dodgy practices, the headmaster is trying to make privatisation pay. "Local management for schools," he says, "means money for numbers – bums on seats." The trick is to take only the ablest pupils, with a sprinkling of ethnic mix, so that none of them need special attention. That way the number of teachers required can be reduced.

Prior's technique owes a lot to Ray Cooney. Indeed he seems steeped in the farce tradition. There is a most wonderful set designed by Anabel Temple. Not only are there doors all over the place, and a screen to hide behind: there is also a very large window, outside of which some of the characters sometimes float, suspended by publicity balloons. This setting would grace the west end.

The novelty is the headmaster's filing cabinet with its temperamental opening habits. Its drawers tend to bang him on the head or the leg, but remain obstinately closed to others. It is, says the school caretaker to the old boy who returns as a detective constable, "voice-activated". It needs a round of "High on the Hill", sung in a very special way, to to tap it. This sequence is gone through several times and has a masterly end.

Another means of exit from the study is through the heating system. That, too, comes in useful and leads to such an almighty explosion at the end that Kenneth Clarke's photograph finally falls from the wall. (Mellor somehow survives.) The blue bits of farce are there as well. The headmaster is simultaneously chasing the school secretary, with whom he has had a liaison during a weekend conference in Cleethorpes on in-service training, and an old flame who turns up as a schools inspector. Some of the lines and actions become quite explicit.

I do not want to praise the piece too highly because Prior is still developing. Occasionally the farce becomes repetitive and not all the lines that are intended to be serious come off. What Prior has done beyond doubt, however, is to show that the best way to launch a political attack is to make people laugh at the target.

Kenneth Clarke, populist politician that he is, will probably go and see the play forthwith and thoroughly enjoy it. So should you. Bill Thomas is the headmaster and in a small cast everyone shines. Jeff Teare directs. The biggest pleasure, apart from it being well done, is that here is an anti-Thatcherite playwright who is not full of bile.

Malcolm Rutherford

Brendel's Mozart

ROYAL FESTIVAL HALL

In the 1970s Alfred Brendel and the Academy of St. Martin-in-the-Fields under Neville Marriner collaborated on a well-known cycle of recordings of the Mozart piano concertos. The series has re-appeared for Mozart year and still holds its own, despite changes in the style of Mozart playing over the last 20 years.

To some extent pianists have been sheltered from the more radical advances made by the period instrument movement. The concertos do not work on a fortepiano in modern concert-halls, because the soloist simply cannot be heard, and so there is still a place for the kind of Mozart favoured by Brendel and Marriner, not only for its quality, but also for its style. Their two concerts, one last Friday and the other on Wednesday, were sold out.

Whether intentionally or not, Brendel has cultivated a way of playing this music that suits current expectations very neatly. There is nothing feeble or winsome about the sound he gets from a grand piano; but the definition that he likes accords well with what we might now expect to hear from a fortepiano. Brendel also decorates the solo parts, which is more than many so-called "authentic" pianists do.

The jewel among the three concerto performances that he gave us was the C Major, K.503, the climax of last week's programme. The Apollonian Brendel was here at his most radiantly beguiling. Every phrase brought some new felicity of expression and the pianist never felt constrained by the limits of his chosen style – a responsive sort of classicism, less severe than Serkin in his later years, less aloof than Pollini.

At the second concert the B flat Concerto, K.595, was less illuminating, while the D Minor Concerto in the first had never really abandoned itself to the muse. In the impassioned central section of the slow movement, where Mozart plunges into his most agitated G minor mood, the playing was faster and more brilliant, but not a whirlwind of anxiety as it should be. Dionysus is at his most fearful here and Brendel left us innocent of the fact.

Nevertheless, there was a lot of fine playing, given luxury accompaniments by the ASMF and Marriner. Their purely orchestral items met with mixed fortunes. The Symphony No 34 went with such dash as to suggest that Marriner has been adopting some of the more brilliant traits of period-instrument Mozart; but the impression was spoiled later by a bland account of the "Haffner" Symphony, No 35.

Richard Fairman

Françoise Pollet

WIGMORE HALL

This dramatic soprano offers intelligent warmth, dignity and confidence, and vocal resources beyond what the Wigmore can contain. For her British début recital on Wednesday, she scaled down like a canny professional; but nobody would have doubted that we were hearing an Ariadne, a Gutrune, a Marschallin playing at mere song. Why have our opera companies not picked her up years ago? One supposes her to be only in her mid-'30s now, but her precocious authority and ease must have been evident a long while back.

Her Wigmore programme might have been better chosen. No doubt Britten's French folk-song arrangements were proffered as a kind of compliment, but Britten's lean, wry way with such stuff isn't well served by a voice so ample (and irony-free) as to swallow up the brittle *finesse* of the piano commentary. If these were merely "straight" settings, they would be nothing much; we didn't hear the other side of the story. In the Debussy/Verlaine *Ariettes oubliées* Miss Pollet found far more to get her teeth into, and yet for all her attention to sense and sentiment they emerged as exercises in a single style: carefully sympathetic, assured and placid.

Miss Pollet's first encore, Schubert's "Heidenröslein", was more robustly affecting than any of her Debussy, and her second – one of Wolf's "Mignon" songs – more searching and passionate. One remembered that the first phase of her career kept her in Germany: has she ever had time to discover how Debussy's elusive *mélodies* really work?

Between Debussy and the encores, however, came the Berlioz *Nuits d'été* songs. Again Pollet registered their differences in mood, but delivered them all with a comfortable gravity that reduced their contrasts. Yet she struck a true, classical *tragédienne* stance that would surely have pleased Berlioz: sober intensity without airs, close attention to the sense of words and music alike.

With those noble virtues, and with the power she was palpably holding in reserve, she ought to make a wonderful Cherubini Medea. Her classical potential has not been ignored: she is already admired as Weber's Agathe and Rezia, Berlioz's Cassandra, Mozart's Vitellia – though not yet in Britain. A *Liederabend* from her would be greatly welcome, more than new excursions into the French song repertoire; but she is built for the operatic scene.

David Murray

Macbeth

LUDLOW CASTLE

Rain fell over Shropshire all day, then, as if at the producer's command, cleared for the open-air *Macbeth* at Ludlow Castle. A tiny shower, only perceptible from the sound of waterproofs being put on, fell with absurd exactitude as Banquo, a moment before his murder, observed "It will be rain tonight."

Alan Cohen's direction gives us a straightforward *Macbeth*, with a few happy curiosities. The Weird Sisters (Nollaig Dunphy, Victoria Worsley and Chris Barnes) are on stage almost all the evening; indeed they are on stage before the play starts, while artillery noises evoke the distant fighting. They spy on significant scenes, even leaving their hideaway for a close-up of Banquo's death. They themselves play the three apparitions that give Macbeth such false advice, and they are allowed a few lines from Middleton's *The Witch* as they boil their stew.

Macbeth (David Rintoul) and Banquo (David Mallinson) make their first entry mounted, Macbeth on a bay, Banquo a grey. Claire Lyth's restrained settings (lighting by Paul McLeish) help us believe in such battlefield detail, though the battles, lit by blazing torchlight, are somewhat under-populated. Macbeth's final fight with Macduff ends as a wrestle, both having discarded their weapons. Rintoul's Macbeth seems particularly genuine when he decides to "proceed no further," so much so that Lady Macbeth slaps his face. But he's truthful too as an arrogant fighting man.

Haydn Gwynne's Lady Macbeth, a society hostess in costumes that get more showy as she feels herself getting royaller, is the undeniable boss at the party. The harrassed Macbeth finally breaks the dinner table to bits; but his lady retains her dignity, even when sleepwalking. Lady Macduff is given by Melody McNamara with an equal Scottish correctness until the murderers drag her off. Then she releases a magnificent cantata of screams, the last, and best, offstage.

In England, Macduff (Sean Baker) takes little notice of Malcolm's mock-confession, pacing the stage with his hands behind his back, but he becomes again the courteous patriot we saw, appalled at Duncan's murder, but still first to console Lady Macbeth. Ross (Robert Arnold) is a decent old man consoling Lady Macduff, less decent telling Macduff casually that his family are "well" and then that they have all been murdered. It is a pity that his subsequent energy does not instil more visible guts into Jonathan Oliver's Malcolm.

At opposite ends of the social scale are Roy Hanlon, as a kingly Duncan, and Gordon Kane as a not very funny Porter. Michael Gregory, piper at the Court, manages to play "God save the Queen" on the pipes.

B.A. Young

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

The 1991 Schleswig-Holstein Music Festival opens on Sunday with a concert in Lübeck by the North German Radio Orchestra and Women's Chorus conducted by John Eliot Gardiner. The programme consists of Mendelssohn's Reformation Symphony and Holst's The Planets. Now in its sixth year of existence, the festival offers a vast array of concerts (more than 130 spread over 30 different centres in north-west Germany) throughout July and August. The festival was founded and continues to be masterminded by the German pianist Justus Frantz, who has once again attracted many leading musicians, and himself plays at several events.

There is a prominent Soviet element at this year's festival. The violinists Tatiana Grindenko and Gidon Kremer join the Deutsche Kammerphilharmonie for several concerts (with a programme ranging from Vivaldi to Berio, Schnittke and Shostakovich); Yuri Bashmet and the Moscow Soloists bring a programme of Vivaldi, Haydn and Mozart; and the German-Soviet Youth Philharmonic are conducted by Rostropovich in Prokofiev's Romeo and Juliet staged by Vladimir Vassiliev. Among the guests with the Festival Orchestra are the pianist Yevgeny Kissin, the conductors Dmitri Kitayenko and Yehudi Menuhin, and the soprano Arleen Auger (in a performance in Neumünster of Mahler's Second Symphony, dedicated to the memory of one of the festival's early supporters, Leonard Bernstein). Guest ensembles include the Kirov Opera Orchestra from Leningrad. Günter Wand conducts the closing performances of Bruckner's Fifth Symphony (23 and 24 Aug in Lubeck Cathedral). The central box office number is (0431) 567080.

Among the highlights of this year's Avignon Festival (July 9 to August 2) are a production of Shakespeare's The Tempest by Peter Brook in a new French translation by Jean-Claude Carrière, and a Jorge Lavelli production in the courtyard of the Papal Palace, based on three works by the Spanish writer Ramon Maria del Valle-Inclan about dehumanisation of character. They were originally written as novels in dialogue from 1907 to 1922, and are adapted by Armando Llamas. The programme also includes productions of plays by Strindberg, Heiner Müller, Valère Novarina and an exhibition commemorating the work of Jean Vilar. The box office number is (090) 862443.

American Ballet Theatre next week opens a short season at the Palais Garnier in Paris (July 3 - 14), with works by Kenneth MacMillan, Twyla Tharp, Jerome Robbins and Agnes de Mille.

EXHIBITIONS GUIDE

BERLIN

Altes Museum John Heartfield: centenary retrospective of the influential Berlin-born photo-montage artist. Ends July 11. Closed Mon and Tues

Kunstgewerbemuseum Fayence from Stralsund: 18th century glazed earthenware from the Hanseatic town where the craft of Fayence flourished. Ends July 21. Closed Mon and Tues

Schloss Charlottenburg Imperial Art from the Dutch Exile of Kaiser Willem II: paintings, sculpture and artefacts, including silver and furniture from the time of Frederick the Great. Ends Sep 29. Closed Mon

CHICAGO

Art Institute Degenerate Art: The Fate of the Avant-Garde in Nazi Germany, featuring the work of artists held up for public mockery in 1937, who later won recognition as masters of their realm. This is a widely-acclaimed exhibition originally mounted by the Los Angeles County Museum. Ends Sep 8. Also The Gold of Africa: Jewelry and Ornaments from Ghana, Ivory Coast, Mali and Senegal. Ends Aug 25. Also 18th and 19th century Staffordshire creamware by potters such as Wedgwood, Astbury and others, from the collection of Harry Root. Ends Oct 27. Also English and French Printed Textiles: 100 examples mainly from 18th and 19th centuries. Ends Sep 3. Daily

FLORENCE

Casa Buonarroti Artemisia Gentileschi (1597-1651/3), follower of Caravaggio and possibly the most famous woman artist of all time. The exhibition includes 30 paintings from Italian and foreign museums, together with several masterpieces by her father Orazio. Ends Nov 4. Closed Tues

FRANKFURT

Schirn Kunsthalle From Expressionism to the Resistance: Art in Germany 1909-1936. The Marvin and Janet Fishman collection traces the development of Expressionism and the reaction against it in the Neue Sachlichkeit. Ends Aug 18. Daily

Jüdisches Museum Friedl Dicker Brandeis (1898-1944), Jewish artist killed in Nazi concentration camp. Ends July 28. Closed Mon

LONDON

Hayward Gallery Richard Long (b1945): Walking in Circles, a selection of sculptures, mud works and photographs inspired by walks in landscapes as varied as Dartmoor, the Himalayas and the Sahara. Ends Aug 11. Daily

National Gallery Guercino in Britain: an exhibition bringing together 27 paintings from British public and private collections to mark the 400th anniversary of the birth of Giovanni Francesco Barbieri, known as Guercino (1591-1666), one of the finest 17th century Italian artists. Ends July 31. Daily

Royal Academy The Fauve Landscape: Matisse, Derain, Braque and Their Circle 1904-1908, with 75 paintings showing how the Fauves used vibrant colour to express their subjective and emotional response to landscape. Ends Sep 1. Also RA Summer exhibition, with work by Vieira da Silva, Jasper Johns, Willem De Kooning, Norman Foster and many others. Ends Aug 18. Daily

Tate Gallery John Constable: largest-ever survey of the English artist's work. Ends Sep 15. Daily

Walpole Gallery The Cinquecento: more than 50 Italian paintings and Old Master drawings, including works by Tintoretto, Veronese and Carracci. Ends July 26. Closed Sun

MADRID

Museo Nacional Centro de Arte Reina Sofia Joaquin Torres-Garcia: 120 paintings and sculptures tracing the artistic development of the Uruguayan who helped pioneer modernism in Latin America before his death in 1949. Ends Aug 12. Closed Tues

Fundacion Juan March Maria Helena Vieira da Silva: 64 abstract paintings by the Franco-Portuguese artist (b1908). Ends July 7. Daily

NEW YORK

Metropolitan Museum of Art Masterpieces of Impressionism and Post-Impressionism: The Annenberg Collection, including works by Gauguin, Cezanne, Van Gogh, Renoir and Degas. Ends Oct 13. Also The Art of Paul Manship: retrospective of one of America's foremost sculptors. Ends Sep 1. Also Sculpture of Indonesia. Ends Aug 18. Closed Mon

Museum of Modern Art Ad Reinhardt (1913-67): the first full-scale retrospective. Ends Sep 2. Also The Gardens and Parks of Roberto Burle Marx, 20th century landscape architect; plus Seven Master Printmakers, showing how Hockney, Rauschenberg and others redefined possibilities for print in the 1980s. Ends Aug 13. Closed Wed

Whitney Museum of American Art Hunt Diederich: figurative sculpture and drawings by a long-neglected early 20th century artist. Ends Sep 29. Closed Mon

PARIS

Centre Georges Pompidou André Breton (1896-1966): the aesthetic world of one of the leading theorists of Surrealism. Ends Aug 26. Closed Tues

Galérie Daniel Malingue Moise Kisling: retrospective of the Polish-born member of the cosmopolitan Ecole de Paris. Ends July 14. Closed Sun

Galérie Schmit French Masters of the 19th and 20th centuries: annual exhibition dominated this year by a jewel-coloured Rouault. Ends July 18. Closed Sun

Grand Palais From Corot to the Impressionists. Ends July 22. Also Seurat retrospective. Ends Aug 12. Closed Tues

Jeu de Paume The renovated former temple of Impressionism inaugurates its new role as a national gallery of contemporary art with an exhibition of Dubuffet, representative of art brut. Ends Sep 22. Daily

Louvre Pavillon de Flore Spanish Drawings: Masters of the 16th and 17th centuries, with works from the Louvre and Spanish museums. Ends July 22. Closed Tues

ROME

Capitoline museums and Accademia Valentino Valentino: Thirty Years of Magic. Valentino has handed himself the sort of accolade that sits more gracefully on designers already dead, with a show spread over two sites. The Capitoline museums (ends July 28, closed Mon) show photographs of Valentino designs, while the Accademia (ends Nov 5, daily) has 300 outfits made between 1960 and 1990 with their original accessories, some surprisingly undated. The intelligent eye of the designer shows in the wealth of sources - William Morris wallpaper, Meissen pottery, Bronzino portraits and Tiffany lamps, from which inspiration was drawn for his exquisite designs and lavish embroideries

Palazzo Ruspoli The Mark of Genius: 100 old master drawings dating from mid-15th to late-18th centuries, all of exceptional quality, lent by the Ashmolean Museum in Oxford. Mainly Italian, with five Raphaels including the so-called self-portrait, and several of Michelangelo's studies for the Sistine Chapel, but also a delightful Boucher and unusual works by Frans Hals, Fragonard and Ingres. Ends July 28. Daily

Palazzo Sacchetti Fasto Romano: a collection of paintings, sculpture and decorative art which formed the no-holds-barred style favoured by the patrician families of Rome between mid-16th and late-18th centuries. Displayed in the piano nobile of a 16th century palazzo designed by Antonio da Sangallo the younger, specially opened for the occasion. Last chance to see the exhibition today, tomorrow and Sun

ROTTERDAM

Museum Boymans-van Beuningen Dated pottery: household earthenware and stoneware from around 1600, selected from the Van Beuningen-de Vriese archaeological collection. Ends Sep 15. Also Jan van der Vaart: 35 years of ceramics, many characterised by an abstract-geometric idiom. Ends Aug 25. Closed Mon

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Friday June 28 1991

Grasping the housing nettle

THE DUKE of Edinburgh will this morning unveil the second report of his Inquiry into British Housing, six years after the first report which called for radical reform. The headlines will focus on his renewed call for the abolition of tax relief on mortgage interest. Back-benchers will denounce the husband of the wealthiest woman in the UK for seeking to penalise ordinary homeowners. That will be a great pity, for this report deserves study and debate.

It begins by recollecting the problems identified in 1985: a shortage of properties, deteriorating housing stock, unsatisfactory estates and lack of choice. All of these problems have worsened. High interest rates and the recession have led one in 12 mortgage holders to fall into arrears, with a record 47,490 homes repossessed over the past year. Those who are homeless find it harder to secure rented housing, especially in areas where council housing has been aggressively sold off.

Two factors were identified as responsible for these problems in 1985: inadequate investment in rented housing and the heavy financial bias towards owner-occupation. The Duke's inquiry team has not changed its view on the problems but it has now devised a more coherent programme to tackle them.

Rent controls

To revive the private rented sector, the report seeks to tempt institutional investors into the market. It recommends the retention of rent controls (necessary to win cross-party support), but with rents set to give a return on capital which equates with that available on index-linked gilts. There would be additional allowances to cover management and maintenance costs and tax reliefs offered which could increase the real return to as much as 5.8 per cent on the value of the property. Given Labour's conversion to the principle that landlords should be able to earn a fair return on their capital, provided tenants' rights are protected, this is an approach which could survive a change of government.

The detailed proposals – particularly on new tax reliefs – need careful analysis. The existing tax incentives for building rented housing under the business expansion scheme tend to encourage letting for only five years.

Any new tax relief ought to encourage long-term growth in private rented accommodation. And there is always a danger that tax reliefs become yet another set of loopholes for the tax avoidance industry, at great cost to the exchequer and little benefit to the homeless.

Poverty trap

Rents in the social housing sector would also be encouraged to rise to yields comparable with those available in the private sector, though phased in over a longer period to avoid hardship. Higher rents in social housing would inevitably increase the number of tenants on housing benefit, but the report is rightly happy with the principle that subsidies should go to people rather than producers. It proposes to slow the withdrawal of benefit as income rises – this would reduce the poverty trap caused by its current steep withdrawal rate.

More controversially, it would restore housing benefit to those under 25. Benefit has been restricted to deter young people from leaving home too early, but the report points out that many young people have no homes to go back to or have experienced abuse or violence to which they should not be forced to return to.

The cost of more generous housing benefit would be covered by the proceeds of abolishing mortgage interest relief. This should be phased in over 10 years, the report proposes, during periods when interest rates are falling. A start was made in the budget by restricting relief to the basic rate of tax; a 10-year withdrawal target therefore is not, in principle, impossible.

But the removal of this perverse subsidy is a nettle which will have to be grasped to sooner or later. City economists, academics, housing workers and the Archbishop of Canterbury support the Duke in his view. It is only the politicians who now refuse to face this unpalatable truth.

Labour and the unions – again

THE MORE likely it becomes that the Labour party will form Britain's next government, the more evidence emerges that Labour's old problem remains. The party which was born as the parliamentary organisation of the trade unions still betrays its origins. Mr Tony Blair, Labour's employment spokesman, has made creditable efforts to establish a more distant relationship with the unions. But his attempt to sell Labour as the party of the individual worker is faltering amid the assertion of sectional interest.

Mr Blair has been sounding unusually flustered about this recently. That is hardly surprising given the burst of argument between the craft union leaders, who oppose Labour's statutory minimum wage policy, and the leaders of public sector unions who support it. Labour's comfortable lead in the opinion polls, and the Conservatives' disarray over Europe, is loosening union leaders' tongues.

Mr Blair should bear in mind his problems with the minimum wage policy when he examines the latest proposals from the Trades Union Congress on statutory recognition rights for unions. Since Labour has not yet decided its policy on how legal recognition would work – and is consulting on the idea with employers – the TUC's new draft proposals are *the best guide available to the* direction of the party's thinking. This guide has not yet been published, which is probably as well for Labour since it would make many employers blanch.

Grudging improvements

There have been some improvements from an earlier version, albeit grudging ones. Congress House has dropped its ambitions to extend its powers into determining which union should be recognised. There is also a guarded approval for ballots of employees to decide on the level of support for unions, rather than the easily-abused methods of petitions and a display of membership cards. But these are offset by a number of changes for the worse suggested by the TUC's unions to promote their own interests.

The most dangerous is that the TUC now thinks a union should be able to secure legally enforceable recognition in some cases where it has recruited fewer than 40 per cent of workers in a company or workplace. The Usdaw shopworkers' union has told the TUC that even 40 per cent might be too high a barrier in retailing because of high staff turnover.

The TUC paper talks of not removing recognition rights until membership falls "well below the threshold". This would undoubtedly be convenient for unions, but does not exactly sound even-handed. Another change is a call for union officials to have the right to enter non-unionised companies to recruit workers. No justification is given for their forcing their way in against managers' wishes, and it is hard to see one.

Pandora's Box

Giving unions legal recognition rights in this way would open up a Pandora's Box of problems. The bitter recognition disputes under the National Labour Relations Board in the US have not achieved much for unions. The TUC itself fears difficult disputes over the size of the bargaining unit covered by an agreement. And even if an employer was forced to grant recognition, it is not easy to see how managers could be required to negotiate in good faith.

Both the principle and practice of statutory recognition are flawed. But if Labour is determined to pursue the idea, it should establish a simpler policy. Rather than the panoply of measures proposed by the TUC, there should be two. First, any worker should have the right to be represented by a union in a disciplinary hearing. Second, no recognition should be enforceable unless a clear majority of workers – perhaps 55 per cent – votes for it in a secret ballot. Conversely, employers would be allowed to end recognition if support fell below that level. It is doubtful if these measures would help unions much, but they represent the limit of what Labour should even consider putting on the table.

As the EC summit opens in Luxembourg, difficult questions remain about the Community's direction, writes **David Buchan**

Horse-trading before high noon

High noon may still be some months off for final decisions on European political and monetary union, but the EC summit, opening today in Luxembourg, will still provide some high drama.

With the 12 EC leaders sitting down to map the road towards a single currency and the largest revision of the Community's constitution in its 33-year existence, it could hardly be otherwise. Before them will be a 132-page draft Treaty on European Union, *drawn up by the Luxembourg* presidency to encapsulate the Twelve's negotiations on political and monetary union over the past six months.

Many EC capitals still have serious qualms about aspects of the draft: some feel the proposed changes do not go far enough towards a federal structure of government for Europe, while in Britain Mrs Margaret Thatcher, the former prime minister, has been equating the treaty to a national suicide note.

The Luxembourgers claim the portion on economic and monetary union (Emu) is 95 per cent ready to be signed by governments and ratified by parliaments. In terms of text, they are probably right. But the unsettled 5 per cent contains various hard questions, which Prime Minister Jacques Santer of Luxembourg has tabled for summit discussion. They comprise:

- What degree of economic convergence must states achieve before they enter a monetary union?
- How soon should a European Central Bank be set up and with what transitional powers before it takes over management of a single currency?
- How should the final passage to Emu be organised? This issue includes, of course, the let-out, suggested last month by Mr Jacques Delors, the Commission president, whereby the UK could sign the treaty but let a later British parliament decide whether and when to join in.

Determining the outcome on Emu is the far more wide-ranging negotiation on political union. There is no logical link between what kind of money the Community has, and whether it has a common foreign/defence policy or how democratically it reaches decisions. But there is power politics. Chancellor Helmut Kohl has made political union his country's price for surrendering the autonomy of the D-Mark. And the German leader has made clear that he will make Emu-enthusiasts sweat until the next EC summit in Maastricht, which is supposed to wrap up the two intergovernmental conferences (IGCs) on political and monetary union.

Nothing shakes both IGCs so much as rumours that Germany, pre-occupied with internal problems, is going cool on political union as well as Emu. So far such rumours have proved unfounded. Therefore, it is still likely that, at the 12-sided poker game that will be played at Maastricht, Mr Kohl will trade Emu for his partners' agreement to put "a democratic European roof on united Germany" by upgrading the powers of the European Parliament.

The political union debate has raised questions about the EC's final destiny that have never been so sharply posed before. Is a common defence policy to be the inevitable outer garment of a Community that has become a world power, or would it alienate America from Nato and so leave Europe less secure? Should the EC think of itself as a future federation, or is it one already? Have Europeans grown sufficiently alike that they can hand over more law-making power to a transnational parliament, or is this intolerable because the Strasbourg assembly is not yet rooted in European political life? Can the Council of Ministers take most decisions by majority, or do individual member states not trust each other enough to let themselves be outvoted?

The one government to argue persistently for maintaining the status quo is Britain's. It has not been a member of the exchange rate mechanism long enough to want to move on to Emu. It is adjusting, painfully but partially, to the EC's current agenda. When "a federal goal" emerged in the draft treaty this month, Mr Douglas Hurd, UK foreign secretary, asked almost plaintively why the EC could not stick to the founding fathers' aim of "ever-closer union". "We didn't like this term to begin with," he said, "but we have got used to it."

Despite the replacement of Mrs Thatcher by Mr John Major, a country that wants little or nothing positive out of the IGCs finds it hard to get involved in the horse-trading. To the extent that Britain has become hung up on individual words in the draft treaty, such as "federal", its partners will accommodate it.

Britain has had certain proposals of its own – more scrutiny by the Parliament over the Commission and the EC budget, and the power for the European Court to fine governments that flout EC law – written into the draft treaty. But they are too much of a chartered accountant's or policeman's view of political union to appeal greatly to other countries.

Nonetheless, apart from the extension of majority voting in social policy – on which Britain finds itself in a natural minority of one – the UK has tactical alliances with:

- Germany on Emu. The two countries' ultimate visions of Emu may differ, because Germany would want a degree of economic discipline imposed on participants in a monetary union that Britain, and others, would baulk at. But Bonn and London both stress the need for economic convergence before any irrevocable Emu decision is taken. In addition, Mr Kohl understands Mr Major's political need not to be rushed into treaty-signing.

Germany also happens to share the UK interest in writing into the treaty a clause on "subsidiarity", the principle that the EC should only deal with things that cannot be better dealt with at national or local level. The two countries, along with Denmark, want such a clause worded so that they could go to the European Court of Justice if they felt that EC institutions like the Commission were trying to do things that should be properly left to states or (in federal Germany's case) regions.

- The Netherlands on defence. Since the spring, the British and the Dutch have fought what a senior UK official this week termed a "brilliantly successful" campaign to stop France using political union as a pretext to free Europe from the manacles of Nato. Having stemmed France's frontal onslaught on this issue inside the EC, the British and Dutch – with considerable help from the US – then outflanked the French in recent Nato meetings.

The Dutch will have to withdraw from the direct fray next *Monday*, when they assume the EC presidency. But, in checking a French counterattack, the UK can count on backing from Atlanticist Portugal, pacificist Denmark and neutral Ireland. It can probably also count on Germany's continued "apathy" about defence issues, which Mrs Elisabeth Guigou, France's EC affairs minister, complained about this week. "The important thing now is not to humiliate the French too far," says an EC official of the defence debate.

- Denmark, Portugal, and Ireland on the European Parliament. These smaller countries, fielding correspondingly few MEPs and having relatively more power in the Council of Ministers, are reticent about letting Strasbourg share more of the Council's law-making powers. The UK, for its part, just wants to give MEPs more non-legislative power, such as tougher scrutiny over the Commission, arguing that this is where the Community's real "democratic deficit" lies.
- France on foreign policy co-operation. To a large extent, France shares the British distaste for introducing standard Community procedures, such as majority voting, into foreign policy. Neither relishes the idea of taking Community instructions on how to vote in the United Nations Security Council.

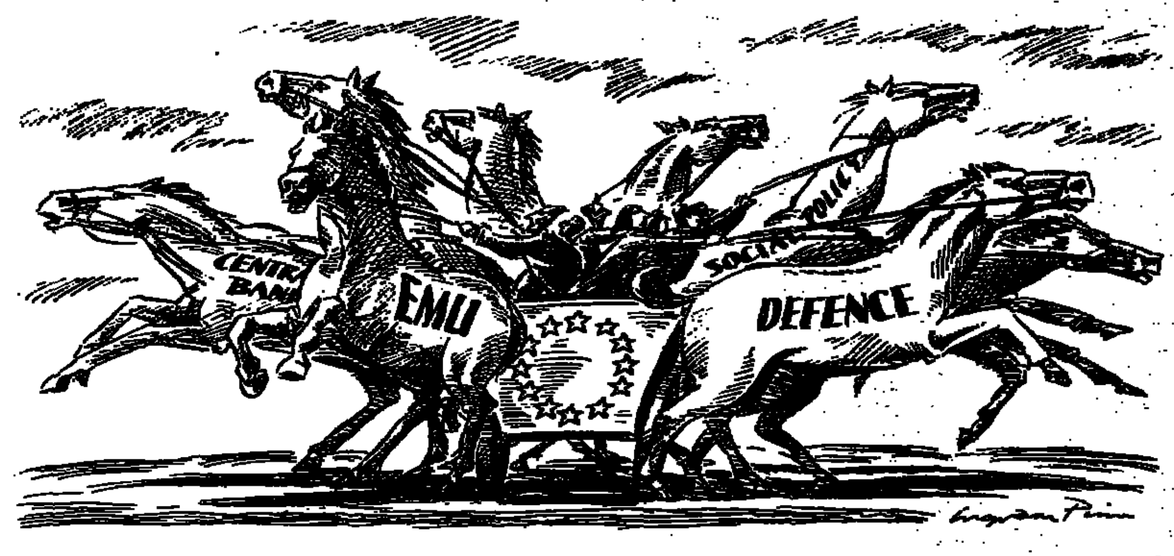
Since these two countries, in particular, did not want to feed sensitive foreign and domestic policies through the routine mill of EC decision-making, the Luxembourg presidency has drafted special provisions outside the standard Treaty of Rome. This would allow the Twelve, for the time being, to decide among themselves how to make foreign policy, regulate immigration and combat crime with minimal involvement of the Brussels and Strasbourg institutions.

This treaty structure does not please many other countries, especially the smaller ones, who want all the Twelve's activities to be "communitarised" in the not-too-distant future. And France is shifting that way, too. What it particularly supports is the clause in the Luxembourg draft saying that any treaty signed this year should be reviewed by 1996 so as "to reinforce the federal character of the Union". Paris wants to add defence in, *in the hope that, if military co-operation cannot be slipped* into the Community in 1991, it can be in 1996.

The ploy of the review clause is to hold out the hope to countries which feel their aspirations unsatisfied in this constitutional revision that they may do better next time. As such, it may limit what the UK has to swallow this year. Yet Britain sees this as nothing more than a slippery slope down which it will be pushed in the mid-1990s. As such, "it is simply unsaleable to the House of Commons", says a senior UK diplomat, adding that "we will not accept anything that gives a clear steer to what such a review should say".

If this week's summit can reach some understanding on these broad issues, then Luxembourg will be a stepping stone to a successful outcome in the Netherlands in December.

But as one EC official put it this week: "If this summit does not give any real steer, we shall just continue turning around the same repetitive statements by governments – the British standing on their sovereignty, the Germans going on about the European Parliament, the Spanish banging the table for more money". In that case, Luxembourg could prove a stumbling block on the road to failure in Maastricht – and another, highly fraught, summit early in 1992.



Draft Treaty on Political Union

Foreign policy. "The policy of the Union aims at covering all areas of foreign and security policy . . . including, eventually, the framing of a defence policy."

The European Council (EC summit) would decide by consensus what areas of foreign-security policy should be conducted in common by the 12. A declaration attached to the draft treaty suggests these areas should include arms co-operation and export control, negotiations in the Conference on Security and Co-operation in Europe, participation in United Nations peace-keeping, relations with the Soviet Union and the US.

Once an area of foreign policy was deemed "common" by an EC summit, its implementation could be decided by weighted majority among the 12. Britain, and some others, object, arguing foreign policy is too sensitive and volatile to be so decided.

2) Defence. The Union's decisions on defence "can be decided wholly or partially carried out through the Western European Union", to which *nine of the 12 EC states belong.* This arrangement could be reviewed in 1996, as part of a general revision of the treaty to be signed this year. Britain wants to define a possible EC defence policy to make it clearly complementary with, not competitive to, Nato.

3) European citizenship. A Spanish idea, this would give EC citizens the right to vote in each other's local and European, but not national, elections. It would give EC citizens abroad the right to diplomatic and consular protection from embassies of any of the 12 outside the Community. This would have to be negotiated with third countries. The 12 sought to provide such cover to each other's citizens in Iraqi-occupied Kuwait last year.

4) European Parliament. The draft treaty would give it a right of "co-decision" with the Council of Ministers on important pieces of legislation, which could not pass without approval by a majority of the 518 MEPs. At present, they can pass amendments, which are *only effective* with Commission backing. A complex conciliation procedure would resolve differences between Parliament and the Council. Initiation of legislation would still be left to the Commission.

5) Commission. The number of full commissioners would shrink from 17 to 12, one from each country, with the possibility of the five larger EC states each *nominating a junior* commissioner. The Parliament would have the right to approve, first, the Commission president and, then, the rest of the EC executive when it takes office every four years.

6) Decision-making. Majority voting in the Council would be extended to environmental, research and development, infrastructure, and third world aid policies. Parliamentary co-decision would operate in these areas, but not in social policy. In the latter area, however, all legislation, except that touching social security and third-country nationals within the EC, would be voted by majority in the Council.

OBSERVER

Out of touch

■ One German worker has just done something in minutes that the Cold War failed to achieve in 45 years: cutting off Berlin's communication links with the west, and pretty well everywhere else in the world to boot.

A mechanical-digger operator with a private building company, he ripped apart a concrete-shielded glass-fibre cable belonging to the Telekom division of the Bundespost. The cable carried only a third of the designated German capital's external lines, but the remainder soon became so overloaded that communications with the outside world virtually ceased for over 16 hours.

While Telekom's workmen succeeded in restoring the severed links early yesterday, *its handling of the difficulties* has prompted comments that the sooner it is privatised, the better.

Calls to its operators in Berlin elicited only a curt reply that there was a technical problem which was being worked on. Even 15 hours after the mishap, Telekom was still refusing to apologise or admit any responsibility.

Instead, it brought proceedings against the building company which it claimed had neglected to get the city's permission before digging near the cable.

Hardly a propitious start for the aspirant capital of Europe.

The reckoning

■ There's no point in trying to play down the incompetence at the TSB and its once proud merchant bank, Hill Samuel. The old management was perhaps out of its depth and the merchant bank given too much independence. But surely the TSB's board – laden with City heavyweights – ought to shoulder some blame?

Sir Nicholas Goodison and Don McCrickard may not be bankers, but there are plenty of supposedly conservative merchant bankers on the TSB's board to lend advice.

Sir Ian Fraser and Sir Robert Clark, the two ex-deputy chairmen, made their names at Lazards and Hill Samuel respectively. Sir Richard Lloyd, ex-Williams and Glyn's, and Nigel Robson, ex-Arbuthnot Latham and Grindlays Bank, have been through much tougher times than the present in their long City careers.

It is all very well sacking the old management and bringing in fresh faces, but the non-executive tranche of the TSB board looks badly in need of some refurbishment. Perhaps the addition of a few fuddy-duddy building society types might not go amiss.

Dad unburied

■ Security men at Israel's Ben Gurion airport were rattled when a 33-year-old *Indian* turned out to be carrying his father's bones in his suitcase. But the lone traveller swiftly laid their suspicions to rest.

"I have no fixed place of residence," he explained. "I take the bones wherever I go until the day I decide where to settle down. There I will bury him."

Signal

■ The abrupt departure of Edward Hennessy, aggressive chief executive of US conglomerate Allied-Signal, is yet another sign that US boards of directors and investing institutions are increasingly restive about companies which fail to deliver on promises.

While the 63-year-old Hennessy tripled the company's size during his 11-year tenure – sales have topped $12bn and staff exceeded the 100,000 mark – his second five

"Is that nitro-glycerine you have in your towel, or are you just pleased to see me?"

years did not live up his first five. Earnings have been in the doldrums since Allied's disastrous merger with Signal in 1985 and profits have grown at an annual rate of just 2.2 per cent since then.

Now Allied is importing the mysterious Lawrence Bossidy from General Electric. He seems to be promising all the things Hennessy was supposed to deliver such as higher margins and improved quality. Hennessy's career took off after he fell out with Harry Gray of United Technologies.

The 56-year-old Bossidy has spent been nearly a decade as sidekick to General Electric's mercurial chief executive, Jack Welsh. Given the similarities in age, he was unlikely to get a shot at the top job at GE.

Waiting game

■ As Prime Minister Major arrives at the Luxembourg summit believing Britain's EC partners are too impatient to establish monetary union, he may care to know that just over the Belgian border lives someone who takes an even longer view.

Max Kohnftamm, a Dutchman now in his late 70s, was secretary to EC founding father Jean Monnet. He recalls that while he was taking a summer break in 1957, Monnet sent him an urgent message. "Return immediately," it said, "I'm planning to introduce monetary union."

Bob – a job

■ How surprising that it has taken Cookson, the old Lead Industries, such a time to find a new chairman. Bob Malpas, who stepped into the frame yesterday, seems an obvious choice. He has been on the market since his unexpected departure from Powergen last November.

While he calls himself an industrialist, he's really an old chemicals man at heart, having done 30 years with ICI before moving over to BP. His links with Cookson go back a long way. One of his earlier ICI bosses was Colin Bell who went on to chair Tioxide – the once fabulously profitable joint venture with ICI which threatened to bankrupt Cookson and had to be sold.

Malpas tells me his new role will be as a part-time rather than a non-executive chairman, which raises the question of whether he also intends to be an unofficial part-time chief executive.

He is younger than other ex-ICI *alumni, such as Lords* Pennock and Haslam and Sir John Harvey-Jones. He has also yet to make the same sort of mark outside ICI.

Tangled root

■ Extract from examination answer by London University student: *Japan's outstanding economical growth comes from its philosophy in life - "the confusionism."*

Well, it beats majorism.

A testing time for democratic ideals

Algeria's President Chadli Bendjedid and his prime minister, Sid Ahmed Ghozali, speak to Edward Mortimer and Francis Ghilès

The Algerian army, responsible for public order in the capital since President Chadli Bendjedid declared martial law on June 5, has effectively challenged the country's powerful Moslem fundamentalist movement to a trial of strength today. It has given orders that Friday prayers are to be held only inside mosques, and not on the streets, following demonstrations which left eight dead and brought tanks onto the streets earlier this week.

Mr Chadli is determined to reassert the state's authority, after a period when the fundamentalists seemed able to get away with almost anything, up to and including murder. Yet to assume that by postponing parliamentary elections (which had been scheduled for yesterday) he has abandoned his experiment with democracy would appear to be wrong, to judge by interviews which he and his new prime minister, Mr Sid Ahmed Ghozali, gave to the FT last week.

The experiment began in 1988, after the riots which provoked the worst crisis of Mr Chadli's presidency. He embarked on a programme aimed at turning Algeria – a country regarded since it won independence from France 29 years ago as one of the toughest, most tightly-controlled and suspicious of everything western in the Arab world – into a multiparty democracy with a free market economy.

No one should doubt the difficulty of the task Mr Chadli has set himself. But both he and Mr Ghozali made it clear that they firmly intend to go ahead with elections in the autumn, and that they believe delaying the polls will make it possible to hold them under freer and fairer conditions.

Protesters in Algiers and, left and right, President Bendjedid and Prime Minister Ghozali

Much of the agitation which led to martial law being declared was focused on the demand for presidential elections as well as parliamentary ones. Mr Chadli (whose current mandate runs till 1993) has now promised to hold early presidential elections after the parliamentary ones – a promise the Islamic opposition claims to have extracted from him in return for calling off its general strike. But he insists there was no bargaining or negotiation. It was always his intention, he says, to hold presidential elections after the parliamentary ones, and he told party leaders this at the end of last year.

Mr Ghozali, for his part, makes it clear there is no question of banning the main Islamic party, the Front Islamique du Salut (FIS), which scored a sweeping victory in local elections a year ago. "You can't have exceptions to democracy," he explains. "You either have 100 per cent democracy or zero per cent." The FIS, one of whose main grievances is the flagrant gerrymandering of constituency boundaries by the previous government, will be invited, along with other parties, to join a liaison committee in which Mr Ghozali hopes to reach a consensus on whether, and how, the electoral law needs revising. His strategy of isolating the extremists may have borne its first fruits this week, when a moderate wing of the FIS made public its objections to the confrontational tactics of the party leader, Sheikh Abassi Madani.

The president and prime minister are strikingly different in background and mannerisms. Mr Chadli, in his halting French, comes across as the simple soldier, proud of his record in Algeria's 7½-year war of independence and now struggling to set his country on the right road. Mr Ghozali spent much of the independence war as a student in Paris, where he gained a diploma from France's top engineering institute, the Ecole des Ponts et Chaussées.

What the two men have in common is a reputation for honesty, an ability to put things across to ordinary people, and – it seems – a commitment to the idea of democracy. Originally chosen as a compromise candidate for president, during the bitter power struggle that followed the death of Houari Boumedienne in 1978, Mr Chadli initially enjoyed only a narrow margin of manoeuvre. But he soon began dismantling the most oppressive aspects of Boumedienne's austere socialist state.

Both men believe that delaying the elections until the autumn will allow them to be held under freer and fairer conditions

One reform by which he sets great store is the recent granting of independence to the central bank. Its governor, Mr Abderrahmane Hadj Nacer, was not affected by this month's crisis and change of government, and was thus able to soothe the nerves of foreign creditors to whom more than half Algeria's hard currency income is pledged.

Mr Ghozali too is fully committed to the free market reforms, but determined to correct what he sees as 10 years of "disinvestment" in key Algerian industries. He looks to Europe for "positive interference", in the form of debt relief and economic aid, at a time when some Europeans talk of a "duty to interfere" in Third World countries to uphold human rights. After all, he says, "the success of democratisation depends on economic success"; and he gives himself an 80-90 per cent chance of success if "economic and financial accidents" can be avoided.

He admits that his government, like its predecessors, has no democratic legitimacy and is liable to be seen by the public as a continuation of the old one-party state. This means, he says, that it lacks the authority to enforce the full rigour of the law against Islamic militants. He is convinced that the FIS cannot win a majority in free elections, but insists that to suggest it will not be *allowed* to do so would vitiate the democratic process. And he is determined to keep repression to a minimum, knowing that excessive use of force can drive uncommitted young people on to the FIS's side.

Mr Ghozali has already intervened to prevent FIS militants being automatically arrested when legal charges are brought against them, and to persuade employers to take back workers who went on strike at the FIS's bidding. To try to ensure that those arrested are not tortured, as often happened in the past, he has appointed an independent lawyer as human rights minister – the first in Algeria's history; and his interior minister is a veteran career diplomat, unconnected with the police or armed forces.

"Martial law means the police in the hands of the army," he says, "not the army replacing the police. The Algerian army is not used to police methods, and we must be careful not to get it used to them." But the defence minister, General Khaled Nazar, is a holdover from previous governments and answers directly to the president. Many people will wonder, especially after this week's use of force, how much control Mr Ghozali really has over this aspect of policy.

Yet both president and prime minister seem determined to prove that Algeria can be a democracy, in a sense which has so far eluded the rest of the Arab world and indeed most of the Third World. Mr Ghozali, who was foreign minister in the previous government and believes that pan-Arabism at the popular level is still a real force (witness the outpouring of Algerian solidarity with Iraq), none the less asserts boldly that "the Arab world will exist in reality only when all the Arab countries have democratic regimes".

And Mr Chadli believes the assumption, widespread inside and outside Algeria, that only a change of president would make any real difference, is rooted in a stereotype of Third World politics as essentially one-man rule. It is a stereotype he wants to break. "We didn't want to take that route," he says. "We wanted a real democracy, not a sham one. And what we wanted, so as to have a real democracy, is an independent parliament and a government designated by the majority, which will be responsible to that parliament."

Can that really be done, in a country with Algeria's problems and traditions? The next four months will tell.

Joe Rogaly

A song for Europe

The British government must often seem inscrutable to its partners in the European Community. The prime minister will attend this weekend's summit in Luxembourg as (a) a true European, (b) a close ally of the United States, and (c) the lynch-pin of the Commonwealth. The Commonwealth? Nobody has mentioned it for ages, not since the previous prime minister beat it to a pulp, using *Mr John Major as a weapon.* That was in Kuala Lumpur in October 1989, during the present prime minister's brief sojourn as foreign secretary. The issue was apartheid. But now apartheid has gone, or so we imagine, and the previous prime minister has also gone, or so we like to imagine. The natural presumption is that the Commonwealth has also vanished.

Apparently not. Mr Major resurrected it in his speech at the Conservative women's conference yesterday. Does this mean that he has a grand vision of Britain as the centre of three concentric circles of influence? It seems more likely that he has a wholly admirable sense of the value of the Commonwealth dating back to his experiences in Nigeria. Anyway, the ladies in his audience, the smartly-dressed gofers of the Tory party, had to be impressed. Talking of Britain's place at the hub of "separate but complementary alliances" may have seemed like one way to wow them. Actually, it left them stone cold.

Our EC partners may be puzzled. For 40 years they have, with reason, wondered whether Britain regards itself as European, a US ally, or the leader of the Commonwealth. Mr Major seemed to want parity for all three roles, plus Nato. EC partners, worry not. In British political life Europe increasingly comes first – at least in peacetime. (In time of war it is the US to which all must turn). The prime minister does understand this. Britain must put itself at the very heart of the Community, he said again yesterday. It must fight for the future Europe that it wants to see. "That will not be a federal superstate, but it will be a Europe of ever closer union between governments and peoples."

I suspect that they sweated over that formulation at Downing Street. Note the subtlety of "between governments", a familar pair of words that in one swoop should dispose of the deeper ambitions of the European Commission, the proponents of a powerful European Parliament, and much of the talk about an extension of majority voting in the European Council. Yet Mr Major's words could not leave anyone in any doubt that he means to do a deal. If, as I do, you see most of the EC paraphernalia as continuing to rely on relationships "between governments" you will share my faith in the chances of such a deal being struck, even if there are elements in the final package that are uncongenial to the English soul.

Mr Major's words could leave no one in any doubt he means to do a deal

The assembled Conservative women would not have stood for any direct suggestion that Mrs Thatcher is fantasising when she warns against "the greatest abdication of national and parliamentary sovereignty in our history". Their admiration for Dame Edna is undimmed; their faith in Stan Laurel has yet to be established. They would not have understood Mr Major's private frustration at his predecessor's implied rejection of a move to the narrow band of the exchange rate mechanism. After all, he protests, she herself signed up for that when she entered the monetary union. Had someone asked him the right question in the Commons yesterday the prime minister would have made his feelings plain. But at the women's conference he went about as far as he dared to go.

As to the domestic bulk of Mr Major's speech, I hesitate to essay an explanation that might seem rational in France or Germany. Rejecting, with due modesty, the notion that there is something called "Majorism", the prime minister set out to define "conservatism". I would call it that ineradicable muddle that allows a cabinetful of grey-suited men to address a women's conference and sees no oddity in the fact. The very idea of a special conference for female members of the party is an anachronism.

Unfazed, Mr Major spoke out in his plain, straightforward way for less government, strong defence, the individual, the consumer, and a classless society. "I mean one in which opportunity is not confined to the fortunate few, but wide open to all." This turns out to mean parity between academic and vocational qualifications, which is standard on the Continent, and the issuance of training vouchers, which are not. It also means new laws on truancy – presumably to bring the classless back into the classroom. Add the "right to own" homes, savings, pensions, and shares. Do not forget the wholly Majorist "citizens' charter", designed to make officials in the public services behave themselves. With the exception of the last item what you have is, in essence, gift-wrapped Thatcherism.

The rationality of confining the government to this in a pre-election year escapes me. A fog of persistent ideology is leading the government into a dead end. Take the proposed EC Social Charter. Limits on working hours, protection for pregnant women at work and the like may be none of Brussels' business, but they are matters for legitimate domestic concern. There is going to be a huge row about this. Only Labour can benefit from the fall-out.

Post-Thatcherites still shy away from a tradition that stretches from Shaftesbury through Disraeli to Macmillan. Much of their practice is within that tradition: note Mr Major's uprating of child benefit. Spending on the welfare state increased throughout the 1980s, although Mrs Thatcher's rhetoric belied this. She has gone. There could be many votes in an open return to mainstream conservatism. But her inscrutable successors have yet to reap the huge electoral harvest that could spring from her departure.

LETTERS

Why the NRA's chief executive departed

From Lord Crickhowell.

Sir, Your leading article on Wednesday ("Silent watchdog") suggests that Mr John Bowman may have fallen out with his chairman over the pace of the clean-up of rivers or that there has been a confrontation with the Inspectorate of Pollution which has irritated ministers.

There is no truth in either of these assertions. Ministers have been very supportive of the National Rivers Authority's robust approach and have made no attempt to persuade it to relax its prosecution policy and were not involved in the events that led to Mr Bowman's departure as NRA chief executive. Mr Bowman, his board and chairman were in complete agreement about the NRA's policy approach.

However, our effectiveness as an enforcement agency means that not only do we have to have the right policies but we have to administer them effectively. Unfortunately there have been difficulties about the internal management of this large and complex organisation, and it is wholly because of these that Mr Bowman has had to go.

Anyone who acts on the assumption that the NRA's approach is likely to be less tough in the future would be making a profound mistake.

Crickhowell,
National Rivers Authority,
30-34 Albert Embankment,
London SE1

A common effort in European integrated circuit industry

From Mr M Grünewald.

Sir, It was good that in his article on the situation and perspectives of the integrated circuit industry in Europe ("Up or out for the chip-makers", June 19) Guy de Jonquières followed his analysis of the industry's weaknesses with "recommendations" based on the idea of vertical integration.

It is just such an idea on which Jessi (Joint European Submicron Silicon) is based.

Close links between semiconductor equipment and integrated circuit manufacturers have, therefore, to be established. Jessi is doing this by joint developments in the projects of its equipment and material sub-programme.

The same applies to application: system companies and houses have to establish closer links to their IC manufacturers. This is done within Jessi by co-operative projects on chip-sets for high-volume markets (consumer, telecommunications, automotive).

These new developments are of urgent necessity and have started now within Jessi, putting all major European microelectronics companies and research sites together. We hope that this common effort will gain sufficient support also from public authorities and public opinion to reach the ambitious goals.

M Grünewald,
Jessi office programme controller,
Elektrastrasse 6a,
Postfach 81 04 60,
D-8000 München 81,
Germany

The 'monumental error' in plans to harmonise British Rail links with continental systems

From Mr Nigel Seymer.

Sir, In the article on international rail freight ("Patchwork could become a network", June 24) the joint authors list a number of things that they say will need to be "harmonised" before trans-frontier trains will run in large numbers. They have exaggerated the problem.

It is unfortunate that there are different systems of train protection; but it is possible to equip locomotives to cope with more than one system. In the same way trains can be equipped to take current from different kinds of electrical supply (as the Thameslink trains have to do).

Container widths are already standardised at 2.6 m: this is the maximum permitted width for road vehicles throughout Europe. Thus all containers and "swop bodies" fit easily within the BR loading gauge, which is 2.9 m wide; and for this reason there would be no point in chopping back platform edges to accommodate *all* continental freight wagons. In future, all general merchandise carried internationally by rail will be in containers.

Container height is another matter. Containers higher than 2.8 m cannot be carried on BR on any wagon that is permitted to operate on the French rail system. The height above rail under bridges and in tunnels cannot easily be increased. It will never be increased in France, Italy and Britain to match the standard that has always been applied in the Low Countries, Germany and all of eastern Europe (the UIC-C gauge).

However, the French are spending £100m between now and 2000 on increasing their height clearances to their B+ standard.

British Rail is planning to do nothing of the kind, and has claimed (eg, in evidence to a *House of Lords committee*) that Britain's loading gauge, lower even than the old French one, is not a problem for international freight because it will be carried on wagons with tiny wheels (520 mm in diameter). But the French have said "non" to such wagons; they will not allow them to go beyond Lille.

It is because of the low clearances on existing BR lines that many of us think BR has made a monumental error in planning the new link to the Channel Tunnel as a passenger-only line. Mr Rifkind should tell them to think again.

Nigel Seymer,
transport planning consultant,
63 Esmond Road,
London W4

Competing by wise use of resources

From Mr John D Judd.

Sir, As a European (nay British even!) engine manufacturer we feel that we must question some of the assertions made in John Griffiths' article, "Punctured pride puts Porsche in pits" (June 25).

Success in Formula One is like success in any venture – it involves spending money wisely and making maximum use of available resources, even when these are limited.

On a fraction of the Porsche or Honda budgets Engine Developments has, with British-made, state-of-the-art Judd V10 engines, helped Scuderia Italia out of pre-qualifying in Grands Prix – and even got them on to the winners' podium. Equally the Judd V8 has helped the under-financed Lotus Team to achieve successes already this season.

British engineering is alive and well and it is totally wrong to make sweeping generalisations suggesting that European engineers cannot compete on the world stage, even with a budget which represents "a fraction of what Honda spends".

We can and we do.

John D Judd,
Engine Developments,
Leigh Road,
Swift Valley,
Rugby, Warwickshire

Banking on an answer. . .or not

From Mr F J Goldsmith.

Sir, Is there any difference between the big banks to explain their relative performances? I wrote recently as a shareholder to the chairman of Barclays regarding the service I had received and had a personal reply from Sir John Quinton.

My wife is a shareholder in Midland and wrote to Sir Peter Walters to complain about poor service from FirstDirect and got a very distant and uninterested reply from the customer relations manager ("I write to acknowledge receipt of your letter which has been handed to me by Sir Peter Walters"). No expression of regret, no personal undertaking to investigate ("...you will be receiving a considered reply in due course").

The message seems clear. Barclays has learned the lesson of customer relations; Midland hasn't yet got to first base.

F J Goldsmith,
Oak Bank,
Oak Bank Drive,
Leighton Buzzard

Fax service

LETTERS may be faxed on 071-873 [illegible]. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Friday June 28 1991

Poland outlines privatisation scheme

By Christopher Bobinski in Warsaw

THE POLISH government yesterday unveiled its scheme for privatising 400 state-owned factories. These represent 25 per cent of the country's industrial sales and 12 per cent of total employment.

The scheme is believed to be the world's most ambitious to date and marks a crucial element of Poland's drive to privatise 50 per cent of the economy within three years.

So far only a handful of state-sector companies have been sold through public share offers. A few more have been sold to western companies, and several hundred small factories have been leased or disposed of through management and employee buy-outs.

The current plan has been prepared by the privatisation ministry working with S.G. Warburg, the merchant bank. It foresees the transfer of 60 per cent of the equity in the 400 companies to between five and 20 investment groups, called National Wealth Management Funds (NWMF).

These closed-end funds will have Polish chairmen and some board members but day-to-day management will be carried out by western banks and fund management firms. The NWMFs will, however, be owned by all Poles over 18.

In effect, this means that by early next year key decisions for 400 Polish enterprises will have passed into the hands of experienced managers from abroad.

The state, however, will retain a 30 per cent share in each factory, with the employees being given 10 per cent of the equity in their plant.

Poland's 27m or so adults will be given a participation certificate in each NWMF and trading in these will start in the spring or summer of 1993 after the 400 companies' first-year results have been published.

Key issues which have yet to be resolved are how the 400 companies are to be initially allocated to the respective funds, and the exact methods of remuneration for the western merchant banks.

The merchant banks and funds which decide to run the NMWFs will operate on management contracts with "performance-related remuneration contracts" among others, according to the ministry.

The project envisages that the NWMFs will be allowed to sell shares in their companies to local and foreign investors, as well as issue new shares, raise new loans and enter into joint venture and management contracts.

The NWMFs will be looking to international financial institutions like the World Bank, the IFC and the European Bank for Reconstruction and Development as well as Polish banks and agencies for finance to restructure their companies.

Shareholders leave a meeting yesterday at which Nomura president Tabuchi apologised for the week's scandal

Shoddy treatment at the annual shareholder farce

Continued from Page 1

vague answer to a pointed-question about loans to gangsters, they chorused a few Japanese equivalents of "hear, hear" and produced a rousing round of applause to drown the moans of investors.

Afterwards an elderly shareholder said: "I came here angry and I am leaving angry". The Finance Ministry was also angered by Mr Tabuchi's explanation of the company's compensation of select corporate clients – an official said the executive's interpretation of events was "totally unacceptable".

Another Nomura shareholder suggested that if "the company has money to give to gangsters, it should pay us higher dividends".

A group of US institutional investors complained about the relatively meagre dividends paid by companies such as Matsushita Electric Industrial and Sumitomo Bank.

There were more complaints than usual at yesterday's gatherings, with the Nomura meeting lasting 90 minutes, three times the length of last year's. Yet most boards simply went through the motions. Nikko Securities, also stained by scandal, finished after 34 minutes without one question from the floor, and quickest of all was Nisshin Paper's 10-minute get-together.

Delors advises against ambush of Britain

By David Buchan in Brussels

BRITAIN should not be "ambushed" by its partners at the EC summit which starts in Luxembourg today, Mr Jacques Delors, the European Commission president, said yesterday.

Speaking at his pre-summit press conference, Mr Delors said Mr Jacques Santer, prime minister of Luxembourg, had ignored his advice that security and social policy were too controversial to produce a fruitful discussion among the 12 leaders.

Mr Santer earlier this week said both items should be on their agenda. But Mr Delors said he had told Mr Santer that member states' positions on the security element of a common EC foreign policy were "too far apart to expect any narrowing", this week.

Referring to Britain's isolation on social and labour market policy, he said "we should not organise an ambush against a particular country".

Luxembourg, said Mr Delors, should confine itself to hosting "an interim summit, a staging post", to the December summit at Maastricht, which has been set as the deadline for reaching agreement on political and monetary union.

Although Mr Delors appeared keen to absolve himself of any blame for a row at the summit, he left open the possibility that he may yet take Britain to task when he speaks on internal market issues later today. Lack of progress on social policy had cast "a major shadow" over the internal market programme, he said.

Mr Santer said the summit should also tackle some of the toughest issues in the political and monetary union negotiations. Mr Delors discouraged speculation that these might include his proposed "let out" clause for Britain, whereby the UK government could sign the economic and monetary union (Emu) treaty but leave it to a subsequent UK parliament to decide whether and when to replace sterling with the single EC currency.

Mr Delors admitted that he had been "premature" in going public last month with the "let out" idea. It had fuelled complaints by Emu opponents in the British Conservative party Prime Minister John Major's own party that he was planning to sign, rather than veto outright, the Emu treaty.

Seeking to defuse criticism in Britain about the emergence of the term "federal" in the Luxembourg draft treaty, Mr Delors said it should not be understood as secretive centralised rule from Brussels, but as a "transparent" concept which allowed "unity in diversity" and was "compatible with individual states".

'Jolly Jacques', Page 2

Major aims to win UK's less affluent voters

By Ivo Dawnay, Political Correspondent, in London

MR JOHN MAJOR yesterday launched a direct appeal to Britain's less affluent voters by sketching a Conservative agenda for the 1990s carefully aimed at the "have nots" in society.

Outlining the aims of his "Citizens' Charter" initiative, the prime minister told the annual Tory Women's conference in London that he would redress the balance between the state and the individual.

"Our Conservatism is about developing personal independence," he said. "It is designed to give people a hand up, not a hand out. And it is about placing a restraining hand on the power of the state."

The much-trailed speech, clearly intended to flesh out Mr Major's own definition of Toryism, was aimed squarely at the crucial "C2" and skilled working class sectors of the electorate on whom the outcome of the approaching general election will depend.

Its tone was far removed from the more combative style of his predecessor Mrs Margaret Thatcher. While not abandoning her objectives of reducing the power of government, it also attempted to draw on the more traditional Tory philosophy of "one nation" that, in Mr Major's words, is "both confident and at ease with itself".

The speech emphasised both improved state sector education and humanising the public sector bureaucracy, developing the "right to own" by creating new schemes for home and share ownership and by promoting personal savings.

Mr Major said: "For the 1990s, we need Conservative policies that will turn more of Britain's 'have-nots' into 'haves'."

A white paper on the charter would be published shortly and built on in a full legislative programme, due in the coming session of parliament.

Pöhl says transfers to east may increase inflation

By David Marsh and Quentin Peel in Berlin

LARGE FLOWS of subsidies from west to east Germany could spark inflation because the transfer of funds is not being matched by extra production east of the Elbe, Mr Karl Otto Pöhl, the Bundesbank president, warned yesterday.

At a news conference following a meeting of the central bank's policymaking council in Berlin, Mr Pöhl said that public sector transfers to east Germany of DM150bn ($84.2bn) this year "cannot be increased further".

His comments came as fresh inflation figures, showing a 0.5 per cent jump in the cost of living index in west Germany in the month to June, sparked worries on capital markets about a further interest rate rise.

West Germany's year-on-year inflation rate now stands at 3.5 per cent. However, yesterday's meeting decided to keep the Bundesbank's discount and Lombard rates unchanged.

Mr Pöhl, making one of his last public appearances before leaving the central bank at the end of next month, was very subdued about economic prospects for east Germany.

He warned that high wage increases – up by around 60 per cent during the past year – were endangering chances of attracting industrial investment.

Yesterday's news conference was called to mark the anniversary of the introduction of the D-Mark into east Germany on July 1 1990.

Economic recovery there "is taking more time than most of us expected," Mr Pöhl said laconically.

Since the first half of last year, manufacturing output in east Germany has fallen by about two-thirds, in what Mr Pöhl in less diplomatic fashion in March called a "disaster".

He said there were some signs of the economy stabilising, although he added: "We must not set our expectations too high."

Mr Pöhl said that turbulence in Germany and the move to a wider Europe would not necessarily hold up or prevent European monetary union.

However, he warned that not all European Community members could countenance moving to a single currency at the same time.

Mr Johann Wilhelm Gaddum, the Bundesbank board member responsible for banks, said the central bank was reviewing its money supply target for the second half of the year, after aiming now to keep growth in the lower half of the projected 4-6 per cent band for 1991.

German packaging law condemned

By John Thornhill in London

THE international packaging industry has lodged an official complaint with the European Commission over the introduction of a German law which it claims will distort trade between European Community member states and threaten recycling industries in other countries.

Incpen, the UK-based industry council for packaging and the environment, argues that the law, which comes into effect later this year, has been framed in such a way that it will discriminate against foreign companies and restrict the free movement of goods into Germany.

Incpen represents 60 international companies from all sectors of the packaging sector.

The German regulation on the avoidance of packaging waste, passed by the upper house of the German parliament, the Bundesrat, in April, sets stringent requirements for the collection and recycling of packaging materials.

It obliges retailers and manufacturers to take back the packaging materials used in their products and imposes tough recycling targets for the waste.

The law affects outer packaging from December 1, multi-packaging from April 1 1992, and consumer packaging from January 1 1993.

In its complaint to the Commission Incpen also argued that German industry would be unable to absorb all the packaging material it collected and would be likely to dump it in other European countries, thereby undermining the profitability of national recycling industries.

Overall the action by the Germans was therefore more likely to damage the environment than benefit it, Incpen claimed.

Army moves on Slovenia

Continued from Page 1

Europe.

Mr Roland Dumas, the French foreign minister, speaking after a meeting of foreign and defence ministers of the nine-nation Western European Union in Luxembourg, said the European Community would be seeking the four extra votes needed to achieve the 13-country quorum required before the new CSCE dispute settling mechanism could begin.

The Slovene government had yesterday deployed its 35,000 strong paramilitary Territorial Defence Units (TDUs) to prevent the federal army from occupying the republic.

The Slovene government asked all Slovenes in federal institutions, including the Yugoslav army, to resign and return to Slovenia.

In the neighbouring republic of Croatia, which also declared independence on Tuesday, the federal army has not yet intervened. A journalist from Zagreb, the capital of Croatia, said the federal government and the army was pursuing a two-pronged policy.

"The army wants to intimidate Slovenia. The republic is tiny. The army could run rough-shod over it. But the army cannot overrun Croatia. There would be a bloodbath".

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	25	77
Algiers	S	31	88
Amsterdam	F	14	57
Athens	S	29	84
Bahrain	S	34	93
Bangkok	C	33	91
Barcelona	S	25	77
Beirut		–	–
Belfast	C	15	59
Belgrade	S	32	90
Berlin	S	21	70
Biarritz	C	18	64
Bombay	F	32	90
Bordeaux	F	19	66
Boulogne	C	12	54
Brussels	R	11	52
Budapest	F	26	79
Buenos Aires	F	15	57
Cairo	S	34	93
Cape Town	S	17	63
Caracas	C	30	82
Casablanca	F	25	77
Chicago	S	23	73
Cologne	R	12	54
Copenhagen	F	15	59
Corfu	S	30	86
Dallas	S	25	77
Dublin	F	16	61
Dubrovnik	S	28	82
Edinburgh	C	14	57
Faro	S	31	88
Florence	F	28	82
Frankfurt	S	18	64
Geneva	F	19	66
Gibraltar	S	32	90
Glasgow	C	15	59
Helsinki	S	17	63
Hong Kong	C	27	81
Innsbruck	R	17	63
Inverness	C	13	55
Islamabad	F	40	104
Istanbul	F	25	77
Jakarta	F	34	93
Jersey	S	15	59
Johannesburg	S	16	61
Lima	C	20	68
Lisbon	S	24	75
London	C	15	59
Los Angeles		–	–
Luxembourg	C	13	55
Madeira	S	25	77
Madrid	S	31	88
Majorca	S	29	84
Malaga	S	35	95
Malta	S	31	88
Manchester	F	17	63
Manila	C	30	86
Melbourne	S	13	55
Mexico City	C	25	77
Miami	S	27	81
Milan	C	23	73
Montreal	C	23	73
Moscow	S	22	72
Munich	R	17	63
Nairobi	F	23	73
Naples	F	26	79
Nassau	F	33	91
New Delhi	S	39	102
New York	S	23	73
Nice	F	25	77
Nicosia	S	28	82
Oporto	S	22	72
Oslo	T	18	64
Paris	F	15	59
Peking	S	27	81
Prague	F	20	68
Reykjavik	Dr	10	50
Rhodes	S	27	81
Rio de Janeiro	F	30	86
Rome	S	27	81
Salzburg	T	19	66
San Francisco	C	12	54
Seoul	C	27	81
Singapore	F	30	86
Stockholm	F	13	55
Strasbourg	C	17	63
Sydney	S	17	63
Taipei	C	33	91
Tangier	S	27	81
Tel Aviv	C	29	84
Tenerife	S	28	82
Tokyo	S	34	93
Toronto	S	23	73
Tunis	S	34	93
Valencia	S	27	81
Venice	F	27	81
Vienna	C	23	73
Warsaw	F	23	73
Washington	S	22	72
Zurich	F	17	63

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

An uphill struggle for the TSB

On the evidence, TSB deserves to be taken over when its protective structure lapses in September. Adjusted for inflation, shareholders' funds are lower than when the bank was floated in 1986. The problem for shareholders is the lack of predators waiting to rescue them. Standard Chartered needs a UK retail base, but its own record inspires little confidence.

It is perhaps the chairman's misfortune that just before he arrived in his post two years ago, Hill Samuel was given more than twice as much capital to play with. The result was a virtual doubling in the corporate loan book which is now causing all the trouble. Hill Samuel's £500m of provisions is equivalent to 10 per cent of its entire portfolio. If Barclays had a similar record, it would need to put aside £5bn. Its total UK provisions last year were a mere fifth of that.

Curiously, TSB shares yield rather less than those of Barclays. TSB's efficient retail operation is profitable, but the benefits from the cost-cutting programme are diminishing. It is just plausible that TSB would recover more quickly than Barclays in the event of a swift end to recession. Since TSB shares have under-performed Barclays by 30 per cent since flotation, investors might prefer not to take the chance.

BPB Industries

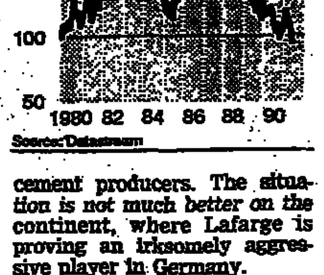
Yesterday's rights issue from BPB – its first for 15 years – at least has some scarcity value. That does not necessarily enhance its appeal. Shareholders, after all, might justifiably have expected to be looking forward to a payback from the huge capital spending and acquisition programme of the last five years, which is coming to a close with gearing at the not unreasonable level of 52 per cent. That they are being asked instead to contribute £125m of new money presumably says little for management confidence in the strength of the upturn.

The case for investing in BPB rests on its ability to ride the cycle. That has been amply demonstrated over the last 25 years; but the difficulty for those who assume the company can repeat the trick this time is the vastly changed competitive environment in its main markets. Knauf of Germany in particular is snapping at BPB's heels in the UK, showing no sign as yet of any willingness to accept the sort of price disciplines which are slowly starting to benefit UK cement producers. The situation is not much better on the continent, where Lafarge is proving an irksomely aggressive player in Germany.

FT-SE Index: 2,452.5 (+15.2)

BPB

Share price relative to the FT-A All-Share index



Source: Datastream

If, as seems likely, the jostling for market share is far from over, one wonders how far prices will automatically follow rising demand. In the long run BPB's undoubted operating efficiencies will win through, but it could be an uncomfortable and a not very rewarding wait. The question now is whether the company would not sit more comfortably within a larger group. One of the costs of the single European market, after all, is that a larger field is likely to require larger players.

Rothmans

Rarely nowadays does a company announce a 22 per cent increase in earnings and dividends and blithely omit all reference to current trading conditions. The catch with Rothmans is that, even after the dividend increase, it still offers a yield of less than 2 per cent. The group's cash mountain has meanwhile grown to a net £713m, making ever more pressing the question of what ought to be done with it. The fact that Rothmans has avoided BAT-style diversification can only be applauded; but the cash remaining after last year's acquisition outlay of just £161m must be more than can be reasonably spent on the basic tobacco and luxury goods business.

The stock argument against handing more of the cash back to investors by way of dividends is that much of it is outside the parent company's control, being held by associates. Investors can console themselves that the shares have outperformed the market by 400 per cent over the last five years and those of fellow tobacco producer BAT by 280 per cent. Growth prospects in tobacco also look reasonably good for the current year, even though the recession could take a modest toll on the luxury goods side.

Yet Rothmans is a tightly-managed company that still has room to wring growth out of a mature sector like tobacco, especially in lucrative Far Eastern markets. Its shares deserve a higher rating. The low pay-out ratio has held them to a multiple of 12.5, just below the market average. Even after yesterday's 4 per cent rise to 980p, the price is almost certainly well below break-up value. But with the cash hoard safely tucked away in-house, that will scarcely worry the controlling Rupert family of South Africa.

Burton

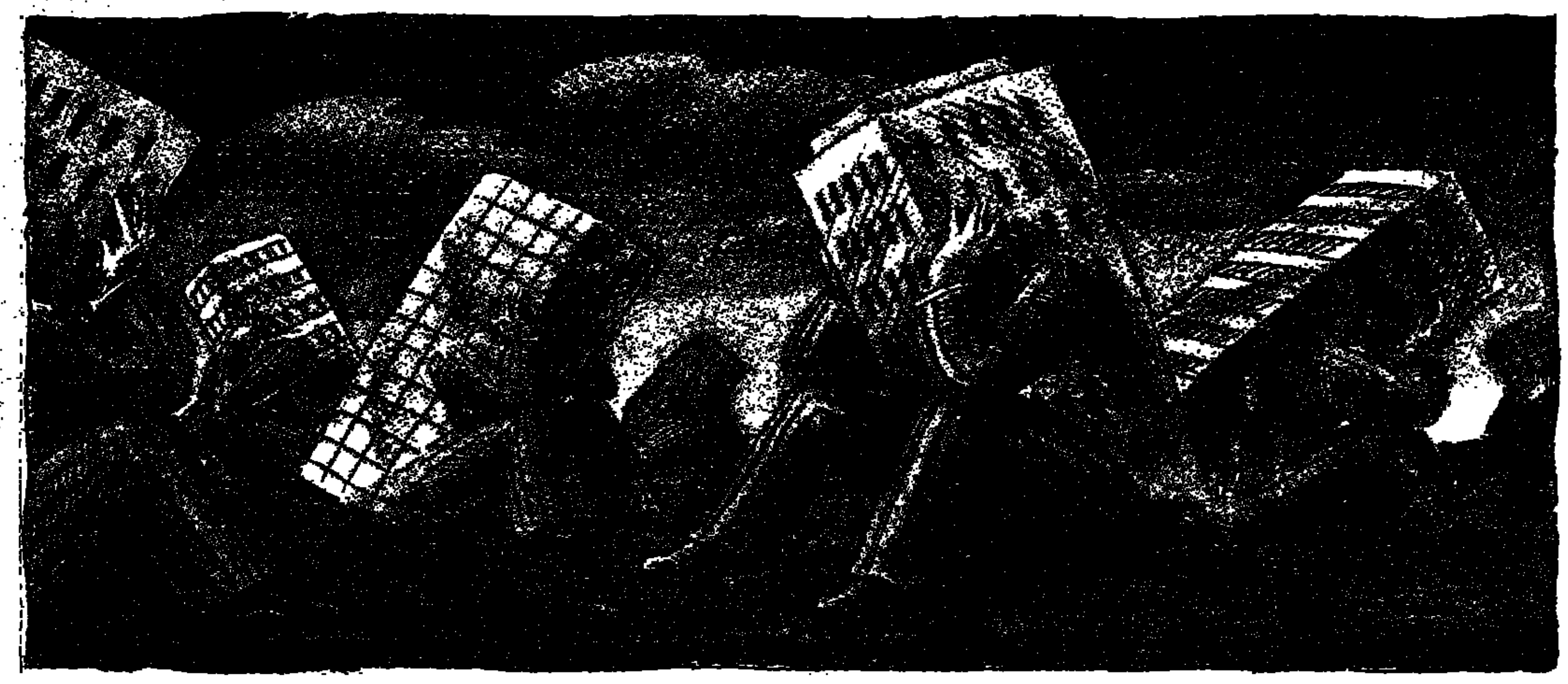
In their inexorable progress downhill, Burton's shares passed another milestone yesterday. At 46p, they are for the first time below their 50p par value. The fact that this rules out a rights issue is by now something of a technicality. More to the point, if the share price is remotely right about current trading Burton's bankers must be getting restive.

The fact that Burton is shortly to announce a reshuffling of its store portfolio matters less than the reportedly dreadful state of demand for clothing in the high street. Given the presumed rate at which cash is leaving the business, Burton's net debt must now be much higher than last year's £336m. Against that, its stated gross tangible assets of £923m might prove awkward to realise, since freeholds account for only £133m and short leaseholds, fixtures and fittings for the bulk of the rest.

Given that Burton also has a £150m convertible liable for repayment in August 1992, equity holders risk being caught, Saatchi-style, between the opposing forces of the bondholders and the banks. Though it is too early to categorise Burton as an outright banking problem, it must be perilously near to breaching some of its covenants. In the past five and a half years, the shares have fallen by 87 per cent against the market in a more or less straight line. Even after the 37 per cent fall in price in the past fortnight, a bounce would be out of character.

CORPORATE FINANCE

The billion-dollar take-over bids and the junk bonds of the 1980s are fast becoming a distant memory. In the harsher 1990s, merger and acquisition activity is likelier to be seen in Europe than in the mature markets of the UK and North America, writes **David Waller**



It all looks so different

THE TASSLED loafers have been put away; the red braces have been hung up for good, and the fancy linings removed from the bespoke suits. But it is not just the glamour that has gone out of the international mergers and acquisitions business – an era has passed away.

In the mind of many investment bankers, the 1980s and 1990s represent two alien psychological states. The 1980s, quasi-mythical days of billion-dollar mega-bids and junk bonds, are tantalising in their closeness to the present day, but wholly alien to the bleak realities of the 1990s.

Arguably, the 1990s began in 1989, when huge transactions such as KKR's $25bn bid for RJR Nabisco and Sir James Goldsmith's (failed) £13.5bn bid for BAT Industries obscured the first signs of a cyclical downturn in international mergers and acquisitions.

By the summer of last year, it was unequivocally clear that the new era had begun in earnest. With Saddam Hussein's invasion of Kuwait business confidence plunged and despite the satisfactory outcome to the conflict – from the Allied forces' perspective, that is – it has not subsequently revived.

In the whole of 1991, figures from Extel show that there were 1,491 deals in the UK worth £27.5bn, compared with 1,622 deals worth £49bn in the previous year. In the US, completed deals fell in value from $257bn in 1989 to $174.5bn. On both sides of the Atlantic, there was a steep falling-away of activity in the fourth quarter, with just $30bn of deals completed in the US and £3.9bn in the UK.

Business done during the first quarter of the current year improved on the fourth quarter of 1990, but was still sharply down on the same period last year. Statistics gathered by KPMG Peat Marwick, the international accountancy firm, show that in the first quarter of 1991 cross-border acquisitions fell to their lowest level in four years. The value of such transactions amounted to $9.8bn, 67 per cent down on the $29.6bn spent in the same period last year.

The exception to this picture of unmitigated gloom was continental Europe, where Extel calculates that 2,146 deals were done last year worth a total of £41.15bn. The true figures were probably a lot higher as continental bankers are traditionally more reluctant than their Anglo-Saxon counterparts to disclose details of clients' transactions.

One factor behind the downturn in M&A activity in Anglo-Saxon and US markets is the impact of recession on managerial confidence. Managers are now more likely to be wrestling with business problems than planning an ego-boosting acquisitions spree.

Another is that the conditions for the financial opportunism of the late 1980s do not exist in today's climate. Bankers are now reluctant to finance even conservatively structured transactions and the finance for highly-leveraged deals is not forthcoming. The credit bubble which fuelled many opportunistic transactions has burst.

"Both investors and managers are sceptical about their ability to diversify into and manage other types of business," reflects Mr Ali Wambold, London partner in residence for Lazard Frères, the New York banking house. "Managers have become humble and investors more grumpy."

What is left is industrial activity, where deals are done by considerations of scale, consolidation and vertical integration and not simply because the transaction makes sense in terms of short-term earnings per share enhancement. Thus, to name some recent, large transactions, Fujitsu takes a majority stake in ICL; Philip Morris buys Jacobs Suchard; Algemene Bank Nederland merges with Amsterdam Rotterdam Bank; Schneider pays $2.23bn for Square D; Guinness buys Cruz del Campo in Spain.

Investment bankers say that this kind of activity continues to be relatively strong, but the well-capitalised, cash-rich companies which are in a position to make substantial acquisitions feel no urgent need to do the deals. Conversely, this is not the best time to sell and those companies making disposals today are often forced sellers, obliged to raise cash to cut excessive borrowings.

Arguably, the frenzy of M&A activity which gripped the UK and US markets during the 1980s sprang from egomania and opportunism rather than industrial logic. This thought has no doubt occurred to UK merchant bankers as they contemplate the wreck of companies such as Coloroll and British & Commonwealth. These are but the most prominent examples of a whole genre of acquisitive companies which have come unstuck in the 1990s. Their fate does not provide a good advertisement for Anglo-Saxon financial advice.

Notwithstanding Hanson's stake-building in ICI, and the determination of BTR's new management team to go on the acquisitions warpath once again, the M&A action of the 1990s is more likely to be found in Europe than the mature markets of the UK and North America.

"Industry by industry, the US and Europe are broadly the same size," observes John Thornton, the London-based head of Goldman Sachs's European mergers and acquisitions team. "But whereas there may be four companies in any given industry in the US, there are likely to be 300 in Europe. I don't have to be a rocket scientist or know all the nuances of the 1992 single-market programme to know that this will have to change."

Even if the forces of consolidation do not lead to a surge in M&A activity on the continent, market penetration is very low. Whereas in the UK and the US almost all deals were done with the help of advisers, Thornton calculates that the figure for the continent is as low as 30 per cent.

Advisers have been prominent in the unusual tussle between Pirelli and Continental: Conti, as the German tyre-maker is known, is advised by Morgan Grenfell and the Italian would-be predator by Merrill Lynch. The squabble has brought a flavour of Anglo-Saxon M&A to the continent and undoubtedly there will be more such encounters if the squadrons of investment bankers making increasingly insistent marketing calls on the continent have their way.

At home, corporate financiers keep themselves busy with "bread and butter work". In the UK, only 16 deals exceeded £20m in value during the first quarter. In the US, there have been a number of large transactions, including Matsushita Electric's $7.95bn purchase of MCA Inc and Allianz AG Holdings's $3.10bn purchase of Fireman's Fund Insurance. The largest deal was GTE Corp's $10.25bn offer for Contel Corp.

Corporate financiers have helped their clients launch a crop of rights issues but the newest and possibly biggest source of work goes under the general heading of corporate restructuring. The 1980s were a period of promiscuity in banking relationships and many overgeared corporates have gone through months of nightmare as refinancing agreements have been forged.

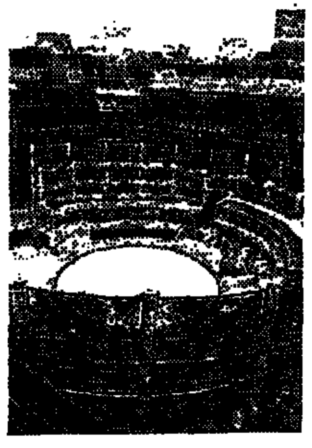
News International, which restructured $7.6bn of debt earlier this year, had 146 banks to deal with. Brent Walker, the troubled leisure group, has a mere 47, but that was more than anyone in the City would have suspected and the negotiations have kept teams of merchant bankers busy for months. "It's like financing the Channel Tunnel," quipped one finance director.

To an extent, investment bankers are prospering from the unscrambling and unravelling of deals which, in headier days, they helped put together. The irony is not lost on the investment banking community and there is much talk about the value of relationship banking, of long-term stable partnership between company and adviser. How very 1990s.

IN THIS SURVEY

Not even the ICI raid has roused the market, says **David Waller**

'It must recover one day'



BRITAIN

BARING BROTHERS is undoubtedly happy to top the *FT Mergers & Acquisitions* league table of UK merchant banking advisers for the first quarter of 1991, but it achieved this distinction by advising on a total of just three transactions worth £1.415m.

One of those transactions, Northern Telecom's acquisition of STC, was worth £1.34bn, completed early in January this year.

This is the nearest thing to the mega-deals of 1988-89 that the City of London has seen this year. The only other transactions of any significant size were: Next's £165m sale of

The bids and deals market began to decline in 1989 but deteriorated after the invasion of Kuwait

its Grattan mail-order business; the £880m sale of British Sugar by Berisford International; and the £330m agreed bid for Yale and Valor for Williams Holdings.

Government statistics show that industrial and commercial companies spent a mere £3.4bn on acquisitions in the first quarter. This was £1.8bn higher than the fourth quarter of 1990, but £9.9bn lower than the peak level recorded in the third quarter of 1989.

Deals worth more than £10m fell from an average of 40 each quarter between 1986 and 1989 to just 16 in the first three months of this year.

"January and February were as quiet in terms of deals as one could ever remember," reflects Guy Dawson, head of corporate finance at Morgan Grenfell.

"To some extent this reflected uncertainties created by the Gulf War. But the mergers and acquisitions market has in truth been in decline since 1989 when companies first started to get edgy about economic prospects. The Hoylake bid for BAT Industries obscured the trend."

For the merchant banking community, Hanson's raid on ICI earlier this year holds out the fabulous prospect of the UK's biggest bid ever. It is very likely that no bid will ever emerge, but in the meantime the situation is creating plenty of work for a number of corporate finance departments.

However, argues Dawson, the true significance of the event for corporate financiers is that Hanson's move has failed to generate widespread excitement.

"This was the sort of mega-event that people had been talking about for years," he says. It happened, and the rest of the market was not ignited by it."

On a similar note, the market was far from ignited when Alan Jackson, newly appointed chief executive of BTR, let it be known that BTR would be returning to its aggressive, acquisitive behaviour of the early to mid-1980s.

So, in the absence of large deals between quoted companies, what are the UK's merchant bankers doing?

Most corporate financiers are constitutionally incapable of working less than 12 hours a day, and many have been keeping themselves busy doing "bread and butter" work – organising rights issues, giving general financial advice and putting together small transactions.

Lapsing into cricketing parlance, George Magan of Hambro Magan, says "we have taken a lot of quick singles, rather than hitting sixes over mid-wicket.

"Between January and April we had 15 transactions in the £25m-£50m range."

FT M&A LEAGUE TABLE
Jan 1 - Dec 31 1990
Completed bids for UK quoted companies

Advisor (final 1989 position)	Value of Bids £m	Number
1. Baring Bros (18)	2,635	9
2. Schroder Wagg (6)	2,331	13
3. Lazard Bros (2)	2,097	17
4. Samuel Montagu (14)	1,758	14
5. Barclays de Zoete Wedd (17)	1,736	15
6. Kleinwort Benson (10)	1,385	13
7. S. G. Warburg (1)	1,287	8
8. N. M. Rothschild (11)	1,019	7
9. Goldman Sachs (3)	915	3
10. Robert Fleming (19)	908	6
11. Hambros (5)	752	8
12. UBS Phillips & Drew (-)	731	10
13. Hambro Magan (-)	728	3
14. Morgan Grenfell (9)	650	13
15. Hill Samuel (-)	439	6
16. MacArthur & Co (-)	299	1
17. Paribas (-)	256	2
18. Charterhouse (20)	205	4
19. Merrill Lynch (-)	192	1
20. Salomon Bros (-)	166	4

Another fertile source of work is the refinancing and restructuring of debts for highly-geared corporates, a complex and time-consuming procedure which brings work for accountants and lawyers as well as bankers.

For some companies, such as Saatchi & Saatchi and Brent Walker, the process is a very public affair.

Corporate financiers say that there are dozens more quoted companies where the negotiations have never seen the light of day.

The UK recession has transferred merchant bankers' attention from the home market to overseas business

"As a house, a third of our time in the first half of the year has been spent on corporate restructuring, ie fending off banks in situations where companies are under pressure," says Richard Heley, head of corporate finance at Hill Samuel, who has spent approximately half his working hours this year advising Brent Walker.

The recession in the UK market has helped concentrate the minds of corporate financiers on overseas business.

This was often neglected in the years when there was a surfeit of activity on the domestic patch.

Now, squadrons of UK merchant bankers are brushing up their neglected language skills and going to the European mainland in search of transactions.

Some merchant bankers are going further afield – S.G. Warburg, for example, has in recent months won important privatisation assignments in Thailand, Mexico and Venezuela.

The M&A market in continental European is flush with opportunities for enterprising merchant bankers. (Whether British advisers are well-equipped to prosper in this market is considered in an article on the facing page.)

Closer to home, Derek Higgs at Warburg believes that the appointment of his firm as lead broker and financial advisor to the UK government's sale of its remaining 48.6 per cent stake in British Telecom is a vindication of the "integrated" approach pursued at Big Bang five years ago, when Warburg linked with Rowe & Pitman and Akroyd & Smithers to form an integrated securities house.

"There is a bias to doing business where we can add value through only being one unit," says Higgs.

"Privatisation, for example, is a form of restructuring. We believe that a lot of our competitors are at a significant disadvantage because they cannot do the overall package.

"The preparatory work – the complex work of getting an organisation ready for the private sector – is subsidised by the securities activities.

"Quite frankly, we are less likely to participate if we can't do the equity issue as well.

"More generally, the trend towards internationalisation of investment and cross-border equity sales and trading is irreversible."

He notes that over the past five years, Warburg has quadrupled the number of clients who use the firm as both broker and merchant banking advisor, and in November last year the financing division and the advisory were amalgamated.

But the majority of itsclients still do not use Warburg as both banker and broker and, says Higgs, "where clients want it we can act separately as bank and broker with complete integrity".

Despite Higgs' assertion that an integrated securities house ought to prosper in the present stage of the cycle – when companies are more inclined to issue equity than buy it – it is noticeable that the two top advisors on UK domestic bids and deals done by UK companies overseas last year were Lazards and J. Henry Schroder Wagg, two banks which did not go on a buying spree back in 1986.

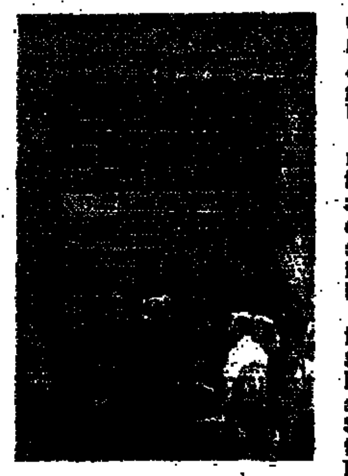
An economic upturn is eagerly awaited, but accurate forecasts are notoriously difficult to make

Meanwhile, merchant bankers are eagerly awaiting an upturn in deals between quoted companies, preferably large deals.

"The market is notoriously difficult to predict," observes David Challen at Schroders. "Business confidence is at a nadir at present and one must assume a recovery at some point. When business confidence comes back, people will start looking outside themselves again."

RADICAL CHANGE IS IN THE AIR

A window opens



AMERICA

THE US corporate finance industry is in a state of upheaval as the excesses of the 1980s are painfully washed out of the system and as Congress debates the most radical changes in the banking industry for more than 50 years.

The 1980s takeover boom, and the concomitant leveraging up of US companies with heavy debt burdens, has petered out following the collapse of the junk bond market early last year and the onset of recession some 11 months ago.

Corporate America is now concentrating on weathering the downturn by running its basic businesses more efficiently, rather than indulging in grandiose expansion plans.

Nevertheless, the recession has been taking a heavy toll, with a sharp rise in both bankruptcies and defaults in the junk bond market.

The recession has also exacerbated banks' bad debt portfolios, both in commercial property and corporate debt taken on to finance highly leveraged takeovers in the 1980s. The resultant pressure on banks' capital ratios has produced a credit crunch. Yet the stock market has enjoyed a strong performance in the first half of this year as the Federal Reserve has eased monetary policy and as fears over the Gulf War have given way to anticipation of recovery from recession. Rising share prices have provided a window for companies to issue new equity.

Securities Data, an information agency, estimates that some $21bn of common stock was issued through 269 offerings in the first five months of this year, compared with $10bn through 198 offerings in the same period of last year. The shares comprised 10.5 per cent of the new issue market, compared with 7.9 per cent in 1990.

There has also been a surge in corporate issuance of investment grade debt, which rose to a record $70bn in the first five months of the year, compared with $44bn last year, as corporate treasurers have sought to lock in attractive rates.

The junk bond market has also benefitted from this tide of economic optimism, enjoying a sharp rise in the first few months of the year, encouraging several new issuers to come to market. But the key question now facing the equity and debt markets is where the economy is headed over the next year.

There is a consensus that at best US corporations and individuals are still so weighed down with debt that any recovery will lack strong momentum. But some pessimists fear that there will be no sustained upturn – and that would spell trouble for both stocks and junk bonds. The market's strong rise this year has given a boost to Wall Street's securities houses, which collectively suffered heavy losses in 1990.

That, however, is unlikely to stop fresh rounds of redundancies on Wall Street, which still appears overstaffed, despite successive rounds of job cuts which have reduced its employees from around 260,000 before the 1987 stock market crash to around 210,000 now.

There have also been some considerable shifts of manpower between market niches as these have waxed and waned. The sharp drop in takeover activity, for example, has reduced the need for specialists in this area, while the rise in the number of financially troubled companies has increased the need for advisers on corporate restructurings and the intricacies of the bankruptcy courts.

Takeover activity is not completely dead, but it tends to be carried out by strongly capitalised companies which can advance good strategic reasons for making bids. A prime example of this was the recently successful bid by American Telephone & Telegraph for NCR, the fifth largest US computer manufacturer.

Leveraged buy-outs are even rarer these days than straightforward takeover bids, although a few are still being done by investment firms with strong reputations, such as Forstmann Little and Kohlberg, Kravis Roberts.

KKR, which had been seeking to raise between $1bn and $2bn from investors for a new buy-out fund since last autumn, ended up with around $1.5bn – a respectable rather than dazzling total. And any LBOs that are being done require a lot more equity, relative to debt, than the 1:10 proportions common in the 1980s.

The commercial banking industry, meanwhile, is starting to look rather healthier than last autumn, when its bad loan portfolio looked as if it might trigger a serious wave of failures. Bank of New England, a large Boston-based bank with a particularly heavy exposure to the property market, did have to be seized by federal regulators, and many more smaller banks will be declared insolvent over the next few years. However, larger and better capitalised banks are now seeing a slowdown in the pace at which their bad loan portfolios are increasing. At the same time, the decline in US interest rates has allowed the banks to improve their margins.

In Congress, the Bush administration's efforts to push through a comprehensive reform of the banking system have got further than many expected when legislation was introduced early this year.

The Treasury has won support of the House of Representatives banking committee for important parts of its plan, such as recapitalisation of the rapidly dwindling insurance fund which covers bank deposits, nationwide branch banking, and permitting banks and securities houses to link. The final shape of the bill remains very uncertain, but it now looks as though Congress may enact the most radical restructuring of the industry since the 1930s.

Martin Dickson

A restructuring case study

The trail that Murdoch left

THE drawn-out restructuring completed earlier this year by Mr Rupert Murdoch's News Corporation carries lessons for many larger companies.

The restructuring of $7.6bn and the provision of a new loan of $600m was completed only after four months of tough negotiations which often seemed on the point of complete collapse.

Some of the lessons from this and other restructurings, such as the one last year for Laura Ashley, the UK furnishings and fabrics group, are basic and long-standing; others relate to the special circumstances of the 1980s and the growth of transactional banking and new finance methods:

It was often the smallest lenders, with the least to lose, that gave News Corp its biggest headaches

- Do not rely too much on short-term debt or on banks. Mr Murdoch was pushed to raise some long-term debt but he delayed the move, expecting interest rates to fall. Interest rates did fall, but in a recession when the company's state made it unappealing to bond investors. "As the markets improve," he said later, "we'll be looking to reducing our dependence on banks and taking in a degree of public debt."
- Be careful about a proliferation of lending banks. News Corporation had 146, although with over $7bn in debt that still gives an average exposure of about $50m apiece. None the less, it was often the smallest lenders that gave the biggest problems. Given the requirement of unanimity to get the restructuring agreement, this was a problem. The lenders with the smallest exposure had the least to lose if the company failed. Do not forget either that there may be more lenders than you think. Many banks, particularly in the US, sell on their exposure to others – some of these so-called participants caused big headaches. Japanese bank lenders also slowed the process; the News Corporation restructuring was probably slowed because the leading banks decided not to take a presentation to Tokyo, where 20 per cent of the lenders were based.
- Complicated corporate structures and complex borrowing arrangements reduce the transparency of a company's position and therefore the ability to analyse quickly when something is going wrong. Many companies prefer that their financing arrangements are not completely understood by the outside world. News Corporation, which borrowed with the aim of minimising tax, had a plethora of facilities including what are called "Australian spin notes" and an Islamic letter of credit facility. But when problems arise, complexity has drawbacks.
- Take what the banks' marketing people say with a pinch of salt. When the crunch comes, they are not the ones who make the decisions. "There are dangers," said one banker, "in believing what the marketing person is telling the treasurer."
- Once a problem has been spotted (for example, the potential for breaching covenants on loan agreements), move early. A company's bargaining position is very weak if it delays negotiations with the banks until the breach has occurred or if it is looming. The clause which allows a bank to withdraw from commitments if there is a "material adverse change" could be enough to trigger an attempt at withdrawal if the problem is advanced.

Treat the bank's marketing staff with caution - when the crunch comes they do not take the decisions

- Make sure there is somebody in charge. Laura Ashley and News Corporation and others suffered because of a significant period in which there was no finance director in charge. Both suffered from not keeping their eyes on the ball.
- You usually get what you pay for. A bank's commitment to a company is based on the income it receives for it. So when the tightly priced "committed" financings of the mid to late 1980s onwards come under pressure, that commitment is often not so strong as it appears. Many of the committed bank facilities of the late 1980s have in practice proved little better than short-term financing.

Stephen Fidler

Rupert Murdoch: interest rates moved the wrong way

The easy spending is over, says **Neil Weinberg**

A rapid leap from youth to maturity

? THE late 1980s were the dolescence of Japanese outound M&A, with corporations pending money around the lobe like teenagers on payday, ne early 1990s are shaping up s the era of tempered middle ge.

With the cost of capital havng soared and a legion of bad uys to reflect upon (Bridgesone's takeover of Firestone rompts the most grimaces), apanese corporations are ncreasingly intent on deals hat strengthen core busilesses rather than stress xpansion for its own sake or liversification into unknown ields.

"We've come full circle in the past 10 years," says Joseph Sabatini, managing director and head of the financial advisory department at J P Morgan in Tokyo. "In the late 1970s many Japanese companies were capable but not cash rich. Then in the latter half of the 1980s, overseas expansion was facilitated by easy access to capital. But in the current environment access to capital is again a constraining factor."

Industrialists in Tokyo do not expect the factors weighing on the M&A market to disappear overnight or activity to regain its late-1980s buoyancy for at least a year or two.

Although the total number of Japanese buyouts in the US rose to 215 in 1990 from 190 the previous year, the value actually fell to $11.6bn from $13.7bn, according to Long Term Credit Bank of Japan. The pattern in Europe was somewhat different with the number of deals climbing modestly to 113 in 1990 from 103, while the value jumped to $3.8bn from $2.4bn.

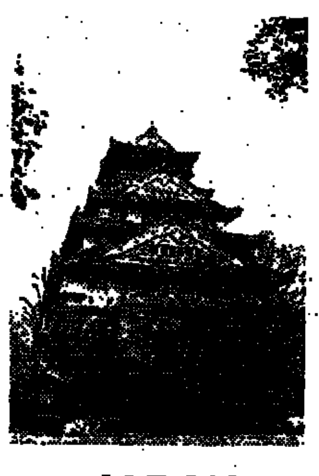
The total value of deals is likely to fall further if, as many expect, it is not again inflated by one or two megadeals, such as the recent Sony and Matsushita buyouts of US movie studios and Fujitsu's takeover of International Computers Limited.

"People keep thinking about M&A although it's becoming difficult to get a consensus for big deals like there used to be," says Yusho Yamamoto, general manager of LTCBs Mergers & Acquisitions Division. Overall, he expects the number of deals to remain steady over the next couple of years at around 200, while the average size and total value decline.

Industry officials are quick to point out that the underlying motives for Japanese overseas M&A have not changed, despite the recent slowdown. The important distinction, says Mr Sabatini, is between near-term financial constraints which are a "cyclical depressant" and the long-term "structural" trend toward globalisation.

"Japanese corporations which buy on synergy still have an appetite for companies that are strategically meaningful. They will get the money", adds Mr Yamamoto.

Japan's foreign real estate buyers, unlike corporate M&A clients, have been forced into full retreat by soured deals at home and abroad, the high interest rates and last year's stock market crash. Their return is not expected soon.



JAPAN

The Japanese are trying to act in Europe as they do in the US

On the other hand, Western Europe is clearly a growth area for Japanese M&A, with legions of firms seeking to establish footholds in what will soon be the world's largest unified market.

Except for the UK, where Japanese businesses have established a formidable presence, politics is already playing a big role in determining the nature and scope of activity in what is still a relatively untapped and unfamiliar market.

Says Mr Yamamoto: "The point is the Japanese are trying to behave the same (in Europe) as they have in the US but it's not the same situation. Europe is relatively remote to Japan and there are not many sell candidates."

On the Continent, Germany is likely to emerge as the favourite target of Japanese buyers. But wherever they are active, Japanese firms will focus mostly on small to mid-sized local concerns.

Such acquisitions are easier to carry off politically than large ones and in many cases make the most strategic sense for both sides: scores of Japanese firms are keen to set up local production and distribution channels, while many modest-sized local firms face extinction if they try to take on pan-European competitors single-handed, says Peter Massion, manager of the Mergers and Acquisitions Department at Morgan Grenfell Japan.

"If the borders are opened and there's a free-for-all, a small 200-300m Deutsche mark (food) company will have a tough time", he says. "Some firms are looking for long-term leaders or partners who can guarantee a strong competitive situation once the borders are open."

Another feature of Japan's M&A activity in Europe will be a sharp focus in specific industries rather than a broadly based flood of investment, observers say. Chemicals, autos, auto parts and financial services are among the sectors already active. In contrast, retailing and other inherently local industries will probably see little Japanese investment.

"It's important to realise different industrial groups are very different," says Mr Sabatini. "Many people think of Japan as the industrial leader in technology if not in financial capacity, although some lead in neither and will have increasing difficulty in a globally competitive market place", he says.

Japan's long coddled pharmaceutical industry is often cited as one with plenty of ambition in Europe but little ammunition to take on the giants of Western Europe and the US.

FT M&A LEAGUE TABLE
Jan 1 - Mar 31 1991
International Bids
(Includes all cross-border and domestic bids where a foreign bank acted as financial advisor)

Advisor (final 1990 position)	Value of Bids $m	Number
1. Goldman Sachs (1)	12,060	9
2. Lazard Group (-)	10,396	9
3. S. G. Warburg (9)	8,613	9
4. Schroder Wagg (3)	5,908	13
5. Lehman Bros Intl (8)	3,751	5
6. Morgan Grenfell (12)	3,185	13
7. Baring Bros (10)	2,688	4
8. Morgan Stanley (2)	2,473	13
9. Chase Manhattan (-)	2,254	9
10. Merrill Lynch (4)	1,803	6
11. Bankers Trust (-)	1,350	1
12. First Boston (5)	997	7
13. J P Morgan (6)	627	8
14. Hambros (-)	314	2
15. Credit Lyonnais (-)	210	3

"This is an area where the Japanese will be faced with really tough competition. If it ever gets to a bidding situation they're probably going to lose out," says Simon Davis of Morgan Grenfell's M&A department.

There is an attempt to use muscle instead of experience

However Japanese cross-border M&A shapes up in the 1990s, potential buyers will not be at a loss for advice. In the last few years, many leading Japanese banks and securities firms have set up M&A departments or forged alliances with foreign institutions and boutiques. "They're proliferating. It's like a fad," says Massion with a smile.

Predictably, Japanese financial institutions are seeking to make up in client relations and financial muscle what they lack in experience. Just how much added value they bring to the table depends on who you ask, but nobody doubts they will play a prominent role representing compatriot clients. "Foreign people have a certain know-how, but I don't know if they can arrange the financing"", says LTCBs Mr Yamamoto.

Foreign M&A experts take issue with the local upstarts' credentials and overseas connections. "I've heard complaints from Japanese about flows of information (in Europe)", says Massion. "I don't think any of the Japanese banks are part of the system. What they add is a flow of Japanese buyers."

Mr Sabatini insists that the foreign advisers who will succeed in Tokyo in the 1990s will be those offering local clients the sort of seasoned partnerships they value, as well as home-market insights.

"The M&A advisory community did not distinguish itself in the last 10 years, particularly in Japan", he says. "The advice they gave in certain instances was not well suited to Japanese corporate interests. The objective of the process was to close the deal.

"But I think for people with a long-term view as M&A advisers and not acting as brokers there will be a core of business in providing for Japanese corporate customers."

EUROPE 1992

Not much to shout about

EUROPE is awash with investment bankers hungry for business. Having spent in some cases years building teams of cross-border merger and acquisition specialists, investment banks have recently found little for their expensive staff to do.

The Gulf War and recession-inspired slow-down in corporate activity has left them floored. This is ironic in view of the closeness of the 1992 deadline touted as the trigger for so much corporate upheaval across the continent.

The response from the bankers: to gear up their marketing efforts by putting more people on the road to forge contacts and drum up deals. Not surprisingly, given the quietness on Wall Street in the depth of the US recession, American bankers have been most prominent touting for new business in Europe.

But they are not alone: "We also have more time to market now, and spend more time on the road," says Mr Philip Evans, head of merchant of banking for Paribas in London.

How bad is the squeeze on M&A specialists in Europe? Not as bad as on the securities traders with whom they often share premises, if the bankers are to be believed (though this may only be a reflection of the much slicker exterior of the average M&A expert, whose smooth confidence is never dented).

Eastern Germany has yielded some work but most other areas are at a standstill

Certainly, the cost base of the corporate financiers is less flexible than their securities brethren: they work on higher fixed salaries with a smaller bonus-related element in their pay, and they rack up the same expensive air miles and hotel bills whether they are doing M&A work or just touting for it.

However, if the bankers are to be believed, they have at least managed to hold up their fees in the face of greater competition.

Beauty parades may be becoming a more common feature of the European scene, but there are still few recognised cross-border names in the M&A business, and that means companies are still prepared to pay well for the best (as they always will, the bankers add).

Even where beauty parades have caught on (such as Germany, where advisory work for the sale of former East German assets is usually put out to tender), fees are still said to be healthy.

How successful, meanwhile, is all the marketing? Experience to date has shown that success in continental Europe comes from patience. Investment bankers do not develop corporate relationships quickly in countries which are only just freeing their traditionally closed capital markets. It is no surprise that Goldman Sachs, the great success in the cross-border business in Europe of recent years, has spent more than a decade and a half putting down roots.

Rivals are therefore sceptical of what they claim are fly-by-night sorties by bankers desperate for work. They point to other banks (notably Shearson Lehman Hutton – now Lehman Brothers International) whose determination to stay the course has appeared to waver in recent years. Commitment to the business through the good years and the bad is essential in such a long-term industry.

Reports vary as to the depth of the slump. No-one disputes that the last year has been a tough one: deals in the pipeline last autumn were stalled as the show-down in the Gulf worsened, and were not reactivated this year as recession (particularly in the US and UK) dragged on.

There are now reports that the acquisition business is reviving. "The level of activity is very significantly higher than it was last year or for most of this year," says Mr Robert Swannell, head of continental European operations at Schroders.

The typical six-month lag between getting a mandate and finalising a deal means that this new wave of activity won't be seen publicly until the end of the year, he adds.

Mr Piers von Simpson, a director of S G Warburg, points out that levels of activity have varied greatly.

There may have been work selling off former East German assets (Warburg itself has had a hand in the disposal of hotels and department stores), but some other areas of activity have come to a virtual standstill – investment by British and French companies into the US, for instance. Meanwhile, the long-awaited wall of Japanese money, as Japanese companies turn their sights on European acquisitions, still fails to materialise.

Paribas' 15 M&A specialists in London, who last year spent 90 per cent of their time on deals between France and the UK, have seen this business dry up and now spend three quarters of their time on domestic M&A work in Britain, most of it in the property sector.

Most are relying on business picking up late this year, or early next.

Mr Stanislas Yassukovich, recently appointed head of the London operations of Cragnotti & Partners, a newly-formed investment house and corporate adviser, says that the recovery in the US economy will lead US corporations once again to look towards Europe.

Fears of "Fortress Europe", lulled during the recession as managers turned their attentions to more pressing matters, will then return as companies look to secure their position on the continent, he adds.

Paradoxically, meanwhile, the cross-border business is becoming increasingly domestic in character.

In countries with local M&A experts, foreign houses have already made substantial inroads (Spain, the Netherlands and Italy are the most mentioned examples).

Do international investment banks need to penetrate domestic markets to secure cross-border work? "Ultimately, yes," said Mr Swannell.

Commenting on an acquisition in Italy that Schroders handled for Credit Lyonnais, he added: "It would have been difficult to act for them if we didn't have credibility in Italy – clients must feel confident of your grasp of local technical, political and business issues."

It is here that the greatest room for development exists. Even the most successful houses (Goldman Sachs, Morgan Stanley, Warburg, Lazard Frères) have large gaps in their coverage of Europe. Most are in the process of seeding individual national teams in London (an Italian group here, a Dutch group there) and then trying to transplant them to the relevant country. But as yet, the transplant process has hardly begun.

Richard Waters

Rights issues are back in vogue, writes Maggie Urry

Paper flows again

ONE of the first ideas that comes to a finance director's mind when he sees his share price rising must be to have a rights issue. Rising stock markets have brought in their wake a series of cash calls on investors.

Since the world wide stock market crash of autumn 1987, low share prices have often deterred companies from using issues of their shares to raise cash. No company wants to price its paper low.

Instead many have used debt to finance their business – sometimes with disastrous results, as high interest rates have imposed heavy burdens on profits.

But this year has seen a resurgence in the use of rights issues. As share prices have risen, finance directors can see that issuing new shares can be more economical than borrowing from the bank.

Further, as companies look forward to a revival in economic activity, they are keen to get their balance sheets back into shape. Issuing equity allows them to repay debt, finance extra working capital or even to make acquisitions at lower prices than have been seen in recent years.

This is not a one-sided process, though. There is demand from shareholders for new paper too. Investors who had been wary of committing funds to equities as recession struck many economies, found that their cash balances were building up. It can be difficult for them to put money into a fast rising market. But a rights issue allows them to invest, often at a discount to existing share prices.

The phenomenon has been most noticeable in the UK stock market. There was a relative dearth of rights issues in 1988, 1989 and 1990. After nearly £7bn was raised in 1987, totals dropped in the following years to £4.3bn in 1988, £3bn in 1989 and £4.1bn in 1990.

But despite the uncertainties created by the Gulf War, where hostilities broke out in January this year, the rights issues began to flow. The most notable was a £572m issue from Tesco, the supermarket group, which was launched in late January and met a good response despite the fact that fighting was taking place at the time. If anything that issue gave the stockmarket greater confidence. Once the war ended, there was a flood of issues.

The industry which has been most prominent in raising money is the building and construction sector. Here recession has hit activity hard, but the survivors are now seeing good opportunities to invest money. For instance, housebuilders think that there is cheaper land to be had now than there has been for years.

In the first half of the year alone, the total for 1990 had been exceeded, and analysts were forecasting that the year's total would be the highest on record. Even so there has been little sign that the weight of issues was hitting the stock market, which is close to its all-time high, although the high level of institutional cash balances at the start of the year had dropped to normal levels.

In both 1985 and 1986 a rising UK stock market was brought to a halt by large rights issues. In 1985 this happened in June when Hanson, the conglomerate, launched a £519m issue, more than half of which was left with the underwriters. In May 1986 the Prudential insurance group and National Westminster Bank both launched large issues, putting a brake on the stock market.

A similar story to the UK's experience has been told in other European markets. In Italy, for example, there has been a spate of issues. Falling interest rates have encouraged the Milan bourse to reach new highs this year, in turn increasing investor interest in buying new shares.

The flood of issues there has included the largest ever in the market, a L1,750bn call from Generali, Italy's largest insurance group. Numerous other well-known corporate names have either made or are contemplating issues.

An interesting sideline to the Italian experience is the use of warrants. If warrants are offered as well as new shares, the companies can defer part of the cash-raising until later. Meanwhile, shareholders can trade the warrants.

The use of rights issues has even extended to the US market, where such deals are virtually unknown and where companies prefer to make ordinary public offerings of shares. Even there, though, the volume of initial public offerings had fallen sharply in 1990 and institutional liquidity had built up by the end of the year. That has been reversed in 1991, partly as the highly leveraged companies look for new equity to replace debt.

Unusually Time Warner, the communications group, has recently launched a $2bn-plus rights issue. The money will be used to reduce the huge amount of debt taken on when the two companies merged two years ago.

However, the Time Warner deal is not structured along the classic British rights issue lines. It is not underwritten, and the price at which the shares will be sold to new investors depends on the number of buyers for them. The amount raised could reach $3.5bn.

Investors are usually not willing to take up just any rights issue, though. There is a reluctance to give more money to a company which has poor management or which does not have a good reason for raising the cash.

In the UK, some issues have flopped and it is hard to tell how many issues have been vetoed by institutional investors who are usually sounded out before a deal is brought to market.

It was, apparently, this process which brought to a head institutional dissatisfaction with the management of Asda, the food retailer. That resulted in the removal of the chairman and chief executive of the group and of the head of the group's food stores chain.

The increase in rights issues has at least helped merchant bankers who have been starved of work as the big takeover bids dried up. Fees from rights issues are not munificent but are better than nothing.

PIRELLI AND AFTER

Lessons of a tyre change

AT FIRST sight, one of Germany's more lurid bid sagas – Pirelli's ongoing approaches to the Continental tyre company – might suggest that wheeler-dealer Anglo-Saxon corporate finance techniques have hit with a vengeance.

German industrialists, however, are far from quaking in their boots. Unusual as it may be for a supervisory board to topple a chief executive in the manner in which Continental's Mr Horst Urban was recently forced out, it would be wrong to suggest that the inhabitants of this tightly-knit, closely defended corporate world are suddenly exposed to scores of hungry predators.

What the Continental affair showed was that, in the face of proposals for strategically sound restructuring moves, the voices of the majority shareholders must increasingly be heard.

Pirelli, claiming last September to have amassed some 50 per cent of Continental shares, put forward a "merger" proposal, which, seen from the Continental headquarters in Hanover, would essentially involve the Germans paying a high price and becoming heavily indebted in order to cede control of the tyre operation.

But, from the start, the Italian-owned Pirelli played a very cool game, making the most of the presence of prominent dissatisfied shareholders.

The majority shareholding was used to effect in March at an extraordinary general meeting (called not by Pirelli but by an independent shareholder) to remove the voting right restrictions in the first such victory in Germany at a public meeting.

These voting right restrictions, in place at around 20 of the country's largest corporations, are supposed to act as a poison pill by preventing any single shareholder from casting more than 5 per cent of the vote, regardless of the size of his stake.

Even though such restrictions have proved to be an inadequate deterrent to would-be raiders, the March meeting still constituted an important moral victory for Pirelli.

It culminated in the supervisory board turning against Mr Urban, who had fought an increasingly lonely battle for Continental's independence.

Since the original Pirelli approach, conditions in the world tyre market had deteriorated further, with even Mr Urban's modest earnings forecasts for Continental in 1991 rapidly appearing unsustainable. The logic of some kind of merger between the world's fourth and fifth largest tyre producer seemed inescapable, and is now the subject of closed-door talks between Hanover and Milan.

These events have highlighted how even the highly protected corporate Germany – with its cross-holdings, influential banks, and co-determination – can see a tumultuous nfree-for-all when a serious takeover bid is staged.

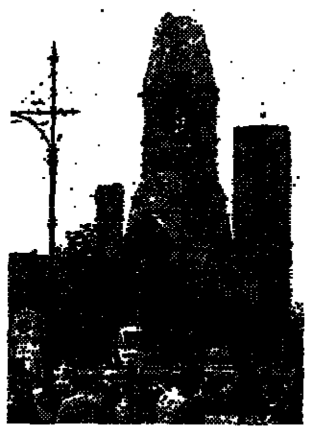
Dislosure rules and bid procedures remain extremely flimsy. A shareholder only has to declare a stake in a company once it reaches 25 per cent (compared with the 3 per cent cut-off in the UK). With shares almost exclusively in bearer form, Continental once had to conduct an anonymous survey to determine the rough geographic spread of its stock holders. There are no time limits on a bid, and should a deal eventually be pushed through, the bidder is not even obliged to extend his offer to all shareholders.

One of the darker sides of the tale has been the role of the banks and corporate advisors. Morgan Grenfell, the UK merchant bank now owned by Deutsche Bank, was called in by Mr Urban, and the aggressive English house was undoubtedly anxious to win its colours in Germany with a successful defence of the corporate establishment. It has subsequently been criticised for attempting a clearly hopeless defence.

Although the merger talks are now progressing, nine valuable months have been lost. It was ironic that Morgan Grenfell, still cutting its teeth on the Continent, used the classic "fortress" form of defence which is now discredited even in Germany.

Industrially-sound mergers, approved by a simple majority of shareholders, may not big news in the Anglo Saxon world of corporate finance. But in corporate Germany they cause considerable adjustment pains.

Katharine Campbell



GERMANY

PRIVATISATION

Quiet on the eastern front

THE privatisation of east Germany has not been quite the bonanza for international investment banks that it promised to be last year. That is partly because privatisation itself has proved more difficult than expected – although about one-third of the original 8,000 industrial enterprises have now been sold – and partly because foreign interest has been weak.

Investment and merchant banks have also faced competition from the west German (and international) consulting and accounting firms who have been active in east Germany and have had the advantage of intimate knowledge of the local corporate scene. And finally the Treuhand agency itself, the body charged with privatising east Germany, is a sort of giant, inefficient, investment bank with a social conscience plus political masters.

The Treuhand did establish an investor relations department soon after it was fully "westernised" in July last year. One of its tasks was to liaise with investment banks, but some of the senior executives were less than enthusiastic.

However at the beginning of this year the Treuhand's attitude became more positive as it was realised that investment banks had a role to play in bringing more investors into eastern Germany.

Mr Hubert Rohn, the man in charge of Treuhand relations with investment banks, has conducted interviews with more than 100 banks and has a short-list of more than 50 who are considered suitable candidates for co-operation. The organisation has also drawn up a standard contract for investment banks which specifies a minimum fee of DM250,000 (except in the case of very small units).

The contract states that investment banks will have between three and six months to complete a specified sale. If successful the fee can be calculated as 0.5 to 3 per cent of the sale price, or of the liabilities that the purchasing company is taking over (in the case of a small or negative sale price), or of the number of jobs that have been saved.

Some thought was given to a bolder strategy of selling, or giving, east German companies (or groups of companies) to investment banks who would then either sell or restructure (and then sell) the companies themselves. The big three German banks – Deutsche Bank, Dresdner Bank and Commerzbank – are exploring such ideas but the international investment banks have not shown much interest.

To date most of the investment bank work with the Treuhand has thus been of a more traditional advisory kind. J P Morgan, for example, helped in the drawing up of sale terms and in liaising with international newspaper groups for the sale of the east German regional press. S G Warburg was involved in the sale of the Centrum retail chain to the three big west German retail groups Kaufhof, Hertie and Karstadt.

Some banks – such as Salomon Brothers with Carl Zeiss Jena – were also hired directly by east German companies to advise on the break-up and sale of part of the enterprise but this practice now seems to have been blocked by the Treuhand.

More recently investment banks have received direct mandates to go out and find buyers for companies. S G Warburg is in the process of trying to sell the Interhotel luxury hotel chain, one of east Germany's most valuable corporate assets. And Goldman Sachs has just won the mandate for the more difficult task of finding a buyer for the Leuna chemical works.

If the international customer base of these banks does prove useful in finding buyers the Treuhand might start to lean more on investment banks. But much of east German industry is uninteresting. The excitement expressed last year by international business was based partly on the mistaken assumption that east Germany was going to be the door to eastern Europe and Russia.

In the meantime, east Germany has lost most of its eastern export markets and become a poor province of west Germany from where it is supplied with most of its consumer and investment goods.

East Germany may remain of interest as a back-door into west Germany particularly into relatively closed parts of the west German market – such as construction – but so far only about 5 per cent of the 1950 companies sold by the Treuhand have gone to non-German purchasers.

If east Germany is no bonanza for the investment banks it should still provide some useful work in a few niche areas. One of those niches which should grow in importance in the coming months is advising on management buy-outs.

Investment banks might also find work with the Treuhand in the international offices that the organisation wants to open up. It has already announced its intention to open up offices in New York and Tokyo and the list will probably be lengthened. Perhaps Morgan Stanley would be a suitable candidate to oversee Treuhand's New York office. It has good German contacts and even has a son of German Chancellor Helmut Kohl on its staff.

David Goodhart

Stephen Fidler learns why banks are less willing to lend to business than a year ago

Tighter purse strings and higher prices

BANKS IN Britain are under fire over their treatment of small businesses. Allegations of overcharging and arbitrary withdrawal of lending facilities have become commonplace in the last few months.

Banks argue that they face greater risks in a recession and that they should be entitled to higher rewards.

But there is little doubt that, since in some regions of the country there are only four big clearing banks to choose from, a small company's options are limited.

US-style transactional banking has eroded the ties between the banks and their corporate customers

Larger companies generally have more choice. The best credit risks have access to the securities and money markets; the lesser among them have until recently had a multitude of international banks vying to lend them money.

But even the international banks have become significantly less eager to lend over the last 12 months. Where they are willing to lend, they are expecting significantly higher fees and margins.

Competition among international banks had driven down returns to banks to sub-economic levels. Returns hit bottom in mid-1987 but although they bounced off this low, it took until the Iraqi invasion of Kuwait last year for returns to rise sharply.

Several factors underlie the international banks' greater caution. Recession in the Anglo-Saxon economies and the slowing of other economies has increased the perceived credit risk in lending to companies.

The weakness of the Japanese stock market has punctured the confidence of Japanese banks, which in recent years have accounted for 40 per cent of all new international lending. On top of this, the coming into effect of new international standards of capital adequacy has made banks more aware of the costs of lending money.

All this contributed to some of the shortcomings of corporate banking practices in the 1980s. The most marked was a shift towards transactional banking, under which companies' relations with banks are determined by the price of the service they receive from them.

This was a US-led development which ate away at the traditional links between bankers and their corporate customers.

Banking practice also changed. The growth of the revolving credit – where companies technically repay their debt to banks every three or six months – resulted in an unforeseen change in the balance of power between companies and their bankers when problems arose.

Previously, term loans and bilateral overdrafts had given most companies access to funds.

This shift was further emphasised in the development of the multiple option facility, or MoF. Here two groups of banks were brought together: an uncommitted group or tender panel of banks which might bid to lend money to companies; and a so-called committed group which was paid a fee to provide funds if the uncommitted banks failed to stump up.

Many such facilities were set up from 1985 onwards. It became a status symbol for companies, which were increasingly persuaded to roll most of their financings into this one tightly-priced facility.

In the event, when company debt levels started to rise as the first signs of recession hit Britain, the MoFs were seen as wanting.

First, the tight pricing of the "committed" portion of the facility meant that there was no huge commitment among some banks to a company experiencing problems. Second, the nature of the MoF inevitably pitted uncommitted against committed banks over financial restructuring.

The difficulties were increased by the requirement in many syndicated loans for unanimous agreement before waivers could be made in loan covenants to avoid default.

This was further complicated by the increasing practice of "secondary distribution" of loans to smaller banks. Even where a company believed it had cultivated a close relationship with a relatively small group of banks, its lenders were often a much larger group than it had realised.

There have already been changes in the behaviour of both banks and their corporate clients. As many companies seek to refinance the financings, including the maturing MoFs, arranged in the 1980s, they will keep in mind the problems faced by some in those years.

There has certainly been a shift back, at least in rhetoric, to relationship banking. But this will undoubtedly be partial.

In a speech in March, Lord Alexander, the chairman of National Westminster Bank, commented: "Corporate banking will never be founded on relationship banking alone. Banks will continue to take transactional banking roles when called upon to do so... Relationship and transactional banking will be complementary rather than competing interests in their demands on the bank's limited resources."

As the difficulties of some of Britain's small businesses show, the importance of bank relationships to a company's stability can be overstated.

Worries about the syndication process have also led a growing band of companies to try to put their banking relationships on a bilateral basis. They hope this will allow flexibility without the complications of syndicated loan agreements.

However, this may bring its own difficulties. For example, coordinating banks would have to be undertaken by the company itself, rather than an agent bank, and many companies are ill-equipped for this task.

It can also reduce transparency, leaving some lenders in the dark about the overall financing position of the company. In extremis, too, the pressure that can be brought to bear on a bank within a syndicate can be useful and would not necessarily be replicated when a series of bilateral deals are in place.

There has also been consideration of changing the voting process in syndication so as, in Lord Alexander's words, "to avoid non-relationship banks achieving unwarranted leverage in (restructuring) negotiations".

This could be achieved by weighting votes to increase the influence of the lead banks, and providing for majority votes. Some companies are also trying to stop where possible the secondary distribution of loans. They are often unhappy about their liabilities being hawked around groups of international banks.

In a recent example, Patricia Treasury, the fund-raising arm of Sweden's Wallenberg family, tried to prevent the onselling of loans by leading lending banks. It met, however, only limited success.

Corporate well-being may depend on the banks' response to the end of recession in the next 12 months

Besides charging more, the banks have also altered their practices. They will take much more time over examining the viability of deals; assumptions will be challenged.

In the US, for example, there has been a reaction to secondary distribution of loan participations such as those which caused so many difficulties in the $8.2bn News Corporation restructuring. The more transparent European style syndication practice has come into vogue. In Europe, secondary distribution of loan assets almost dried up in the early part of the year.

It remains to be seen what effect these changes will have. Where there is relief among companies that the worst of recession has passed, there should also be caution.

In recession, demand for funds among companies naturally tends to dry up. It is when the economy emerges from recession that companies try to step up their borrowing. The reaction of banks to this increase in demand for funds could be unusually important to overall corporate well-being over the next 12 months.

NatWest's Lord Alexander: two kinds of banking

FT M&A LEAGUE TABLE
Jan 1 - Mar 31 1991
Lapsed or completed European cross-border bids with a continental or UK leg

Advisor	Value of Bids $m	Number
1. Goldman Sachs	3,941	5
2. Lazard Group	3,806	8
3. Lehman Bros Intl	3,751	5
4. Morgan Grenfell	2,923	8
5. Baring Brothers	2,664	2
6. Chase Manhattan	2,140	6
7. Morgan Stanley	1,933	7
8. First Boston	997	5
9. S. G. Warburg	890	5
10. J P Morgan	627	8
11. Hambros	314	2
12. Merrill Lynch	220	3
13. Credit Lyonnais	210	3
14. Charterhouse	192	2
15. Schroder Wagg	183	4

A STATE OF CHANGE

Where help is welcome

SPAIN

IN JANUARY the UK's Kleinwort Benson set up a joint venture company with a prestigious Madrid banking boutique called Iberfomento that is run by a former chairman of Banco Urquijo, a once pace-setting Spanish industrial bank. A few months earlier, 3i, the British venture capital specialists, had started operations in Madrid and its management is now planning to open a second branch early next year in Barcelona.

The two British arrivals in Madrid illustrated how perceptions about corporate finance are beginning to change in the Spanish market. Kleinwort Benson's executives started, for example, by selling the concept of an external nominated advisor. The 3i team began scouting for family companies that wished to remain independent and told them about the firm's "long term view" in approaching a small businesses's need for capital.

"The role of the traditional corporate finance advisor is becoming very relevant here," says Mr Dryden Liddle, an experienced Spanish hand and the chief executive of County NatWest's Madrid office.

'Spain is higher on people's list of priorities than some other places'

The growth potential for development capital also looks assured. The NatWest company has clinched an agreement with the regional government of Valencia to launch a venture capital fund in one of the more effervescent locations of the Spanish economy.

The Valencia deal illustrated an awareness of the added value on venture capital that a UK-based organisation can bring. County NatWest is entering a territory where Banco Bilbao Vizcaya, the big Spanish bank, has already staked a claim and which Banco de Santander, a rival institution, is examining in association with the Charterhouse group.

Meanwhile, domestic demand for corporate finance is fuelled by the arrival of foreign companies that have a clear understanding of the sector's products.

"Spain comes higher on people's lists than other places. There's a natural pre-disposition to Spain and you get a favourable audience for it," says Mr John Alexander, manager of corporate banking at Lloyds in Madrid. As the Lloyds team busies itself with legal and auditing advisors on behalf of its customers and sets about obtaining documentation and moving money efficiently, it makes a specific point about the sacrosanct relationship of mutual trust between a bank and its client.

This relationship, personified in a nominated advisor, is arguably the principal gap in Spain's corporate finance scenario. The problem stems from the traditionally intense ties between Spanish companies and the domestic banks.

Companies have internal financial advisors on their boards nominated by the bank that has financed the companies' debt in exchange for equity. Such advisors are usually more interested in keeping the company's business for the bank than in realising the investment and they do not look favourably on an external corporate finance expert.

There is in short no tradition of independent financial advisors in Spain because there are so few truly independent companies that could employ them.

A UK specialist who has moved to Madrid says that a domestic company without a nominated advisor will "talk to anyone who comes along". It will consequently receive a lot of ideas but none of great depth because no outsider will be sufficiently close to the company's business to provide the best sort of advice.

Companies without their own advisors may talk to anyone who comes along

It is this sort of cultural difficulty that leads corporate finance teams such as Kleinwort Benson's into partnerships with solidly entrenched domestic institutions such as Iberfomento.

The domestic partner lends demonstrable credibility to the newcomer by guiding him through the accounting and legal minefields surrounding transactions in Spain.

Iberfomento, along with other domestic boutiques, has a good range of sophisticated products covering development capital, buy-outs and allied areas.

But while the skills may already be in Spain, they are not very prevalent.

Kleinwort Benson and other foreign groups believe that they will be able to develop the existing business as Spaniards begin to see corporate finance as something more than the successful conduct of mergers and acquisitions.

As the Madrid stock exchange becomes more rule bound, there should be more scope for specialised corporate finance advice.

Confident that there is business to be gained, 3i is currently sending young Spaniards just out of business school to the UK for two year of industrial experience.

Mr Colin Chatburn, 3i's chief executive in Spain, is patiently aware that by providing development capital he is offering small and middle-sized family companies a different kind of advice to what they normally receive from the merger and acquisition merchants.

"In France and in Germany we took about two years to get our message across," says Mr Chatburn, "and we have only been one year in Spain."

Tom Burns

David Waller gauges the success of leading accountancy firms' incursion into M&A banking

A meeting of cultures with mixed results

SIMON BARROW occupies a special place in the folk memory of the accountancy profession.

A former director of Kleinwort Benson, he gave up his career in 1984 at one of the UK's blue-blooded merchant banks to head up the fledgling corporate finance department *at what was then called Ernst* & Whinney.

His brief was to exploit the firm's impressive client base to develop a mergers and acquisitions business. However, Mr Barrow did not get very far: in the summer of 1987 he left, amid mutterings about a clash of cultures, to join Henry Ansbacher.

Despite this experience, which lingers in the consciousness of corporate financiers and accountants, the leading accountancy firms have all attempted to break into the market for corporate finance.

They have done so along a variety of routes and with different degrees of success.

Some of the firms have set up discrete corporate finance departments, which give the appearance of being in direct competition with the merchant banks.

Others encourage their audit partners *to double up as corporate* financiers, emphasising that the services they wish to offer are complementary to those provided by the merchant banks.

Simon Barrow: pioneer

Through their role as auditors to the vast majority of quoted companies, the big accountancy firms have a range of clients which would be the envy of any merchant bank.

Moreover, the relationships with these clients often go back decades and are unsullied *by the excesses of the transaction-based banking displayed* in the 1980s.

The accountancy firms note that merchant banks are staffed largely with accountants. They reason that if they try harder to retain their brightest staff, they could do the same job as a merchant bank, concentrating on the smaller transactions which constitute the great bulk of UK M&A activity.

The staffing situation is a lot easier this year as merchant banks are not recruiting and for the first time in a decade the accountancy firms are laying off newly qualified staff. Those that remain are, for once, the best and, given the dearth of opportunities elsewhere, they are happy to stay with the firms.

There has also been a noticeable drift back from the merchant banks to the accountancy firms: in the last 18 months, Coopers & Lybrand Deloitte has recruited former bankers from Morgan Grenfell, Schroders, ANZ Banking Corporation and County NatWest, a pattern repeated at other firms.

The accountancy firms face a number of obstacles. Under Stock Exchange and profes*sional rules, they cannot* underwrite issues of securities.

Hyman: we do it better

They *cannot* support their clients by throwing their capital about and they cannot own shares in their clients.

They cannot act as principal financial advisers in public transactions nor can they sponsor *Stock Exchange listings.*

The services they can offer to audit clients involved in takeovers are limited: too active an engagement with the client may compromise audit *independence, it is feared.*

Another worry is that an aggressive posture in the corporate finance market may damage a firm's overall reputation for professionalism and independence.

Earlier in the year, Howard Hyman, *head of corporate* finance at Price Waterhouse, the UK's third largest firm, *stated* publicly accountants were *better* qualified to offer financial advice than the merchant banks.

Hyman derided the "ridiculous charisma and snobbery" of the banks. He claimed that *they made their money not out* of giving advice but out of lending and investing, a point accepted by Derek Higgs of S.G Warburg.

Hyman's bitterness was partly inspired by the firm's *treatment over its role in the* privatisation of the 12 regional electricity supply companies.

Prior to the flotation PW was describing itself as "joint financial adviser" to the electricity companies along with N.M. *Rothschild. By the time the* prospectus appeared, PW was listed only as "accounting adviser".

There had been a fierce fight between PW, the lawyers and the banks over what to call PW. *The electricity companies* acknowledged that PW was more than an accounting adviser but because the firm was not a member of the Securities Association it could not under Stock Exchange rules sign the formal letter of suit*ability for the listing, or* indeed be described as financial adviser.

Attempts at a compromise description – for example, "economic, regulatory and accounting adviser" – were squashed by the banks and the *lawyers.*

Accountants are kept busy with company restructurings caused by the recession

Hyman's bitterness is much diminished since January when he made his remarks – merchant banks are, after all, an important source of business for accountancy firms and *it does not do* to be too outspoken. Nevertheless, there is no doubting his determination to build corporate finance into a "fourth leg" for PW across Europe as a whole.

At the beginning of the year, PW had corporate finance departments in France, Spain, the UK, Holland and Germany. It has subsequently added Swe*den,* Denmark, Switzerland and Hungary, with Czechoslovakia imminent.

The total number of *dedicated* corporate finance partners and staff is 200 now, and the aim is to get to 350 in a *year* and a half. Hyman is pleased with the firm's progress in sorting out the housekeeping matters, such as quality control and the way profits from a deal are allocated from country to country.

He says that the network is beginning to generate transactions, although he acknowledges that the corporate finance market is going through a very sticky patch at present. The severity of the recession in the UK is a boon to *the accountant corporate* financiers.

They are engaged in numerous behind-the-scenes corporate restructurings. They are keeping themselves busy by helping their overworked insolvency colleagues with the business of selling off the assets of defunct companies.

"We are heavily involved in what our *insolvency* colleagues are up to," says Richard Mead of Ernst & Young, citing the *British & Commonwealth administration* as a case where corporate finance solutions are required. Although accountants and merchant bankers are happy to snipe at each other, they are agreed on one point: a recovery *in* mainstream mergers and acquisitions business would be very welcome.

FT M&A LEAGUE TABLE Jan 1 – Mar 31 1991 Completed bids for UK quoted companies		
Advisor (final 1990 position)	Value of Bids £m	Number
1. Baring Bros (1)	1,415	3
2. Morgan Grenfell (14)	1,348	2
3. Goldman Sachs (9)	1,340	1
4. Schroder Wagg (2)	418	2
5. *Hill Samuel (15)*	347	2
6. Morgan Stanley (-)	172	1
7. Hoare Govett (-)	172	1
8. County NatWest (-)	115	2
9. S. G. Warburg (7)	107	1
10. Samuel Montagu (4)	104	3
11. Charterhouse (16)	83	1
12. *Hambros (11)*	48	2
13. Barclays de Zoete Wedd (5)	23	2
14. First Boston (-)	14	1
15. Chartered WestLB (-)	14	1

New rules may give banks a bigger role, writes **George Graham**

Momentum for growth

OVER the last few years, one of the most marked features of the French corporate finance market has been the build-up of large equity portfolios by most of the main banks.

There was nothing entirely new about this, for the traditional "banques d'affaires" such as Suez or Paribas had always run sizeable equity positions in parallel with their merchant banking activities. Lazard Frères, too, the doyen of the French mergers and acquisitions market, was in the habit of cementing its advisory relationships, although more usually through a board member than through a substantial stake.

The recent appetite of the *big commercial banks* for the investment banking market, however, has changed both the nature of the game and the stakes.

The combined equity portfolio of the banking sector climbed to FFr179bn at the end of 1990, from FFr124bn a year earlier, even if some senior bankers, such as Mr Marc Viénot, chairman of Société Générale, have begun to express doubts about the prof*itability* of their equity investments.

A recent ground-breaking ruling by the Paris stock exchange council could, if it is upheld by the appeals court, have far-reaching implications for *this* practice.

The case involved an apparent change in the control of Delmas-Vieljeux, a leading French shipping company. Noone, however, had crossed the 33.33 per cent threshold at which a bid would normally become obligatory under the new takeover law introduced at the beginning of 1990.

The council ruled, nevertheless, that the two main shareholders, the Bolloré transport and *industrial* conglomerate and a holding company called El Rabha, had acted in concert to take control of Delmas-Vieljeux; they should therefore offer to buy out minority shareholders.

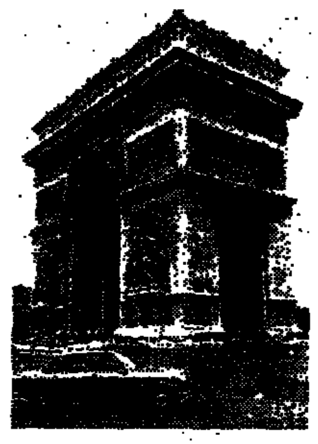
Banques d'affaires have been taking a tighter control of their main holdings

Perhaps more important, the council ruled that Clinvest, the investment banking arm of the state-owned Crédit Lyonnais bank and a long term investor in Bolloré, had also acted in concert with *Bolloré* by taking a leading stake in El Rabha, and should therefore join the offer.

Mr Jean-Yves Haberer, Crédit Lyonnais's chairman, has been a particularly enthusiastic advocate of German-style links between banking and industry. His bank's equity portfolio totalled FFr26bn at the end of last year, and Clinvest, which combines investment banking with most of its equity investment, had a FFr14bn portfolio. Bolloré has appealed against the stock exchange council's ruling, but if the Paris appeals court were to uphold the decision, it could affect the ability of Crédit *Lyonnais and its peers to play* both ends of the game at once: locking in its customers by taking large stakes in their capital and yet simultaneously claiming to be acting independently from them.

Previous stock market battles, such as the Paribas bid last year for Navigation Mixte, had seemed to show that the banks could do precisely that. Crédit Lyonnais and others increased their stakes in Navigation *Mixte* in *order* to help defend against Paribas, but the council took their word for it that they were not acting in concert.

Crédit Lyonnais's corporate finance business benefited *powerfully from its decision* to back its ally against Paribas just as two years ago its rapid decision to finance BSN's \$2.5bn purchase of Nabisco's biscuit companies boosted its reputation in the corporate lending market. Many companies took the view that this was precisely the sort of partner they would like to have.



FRANCE

Yet the strategy of the traditional "banques d'affaires" over the last few years has shown them moving towards more direct and overt control of their main equity investments, and shedding entirely *their more peripheral holdings.* Suez, for example, took control of the Société Générale de Belgique industrial conglomerate and of insurer Victoire, while Paribas has recently tightened up control of its interests in the building materials sector *with a triple-barreled offer to* minority shareholders in Pollet, Ciments Français and Lambert.

The Bolloré ruling could reinforce this trend, by forcing banks to choose what role they *are going to play.*

"A bank cannot go around declaring proudly that it is the traditional ally of such-and such a company and then afterwards claim it is completely independent when it *acts alongside them,"* comments a Paris banker.

The Bolloré case is not the only recent decision by the stock exchange council to have made waves. It recently obliged Galeries Lafayette to *make an offer for rival retailer* Nouvelles Galeries when its stake passed the 33.33 per cent trigger, even though the company claimed its acquisition left control of Nouvelles Galeries unchanged in the hands of *the Devanlay group.*

This has provoked a stock market battle, after a year in which takeovers had been marked, in the words of Mr Jean Saint-Geours, chairman of the Commission des *Opérations de Bourse (COB),* the financial markets regulatory body, by their increasing amicable nature.

Like the Bolloré ruling, the Galeries Lafayette case has gone to the Paris appeals court. At issue is the question *of double voting rights,* which in many French companies are attributed automatically to those who hold their shares continuously for two years, and which complicate the calculation of percentage stakes.

One thing that these two cases prove is the predominance of grey over black and white in France's fledgling takeover code.

"We are often perplexed," *admits* Mr Jean Saint-Geours, *chairman of the Commission* des Opérations de Bourse (COB), the watchdog body which has overall responsibility for supervising French financial markets and for protecting savers.

In this climate of uncertainty, many companies are now reluctant to embark on operations where they cannot calculate the ultimate cost, as the stock exchange hammers out a comprehensive rule book *on the basis of case-by-case* decisions.

"You can surround yourself with all the advisers in *the* world, but while we are still going along on this case-by-case basis, you cannot tell *what you will end up having to* do," complains an investment banker.

While this anxiety lasts, bankers may see their deal flow braked: and it could last for years.

Brian Bollen examines the changes at Hill Samuel

Return of a prodigal and a top tier reshuffle

EVEN before the most recent senior management changes, there were two questions about Hill Samuel which needed answering. Was it irreparably damaged by the events of the *late 1980s when it went into* decline and lost a number of larger clients? And was it a disaster for it to be bought by TSB?

Hill Samuel will be hoping it is third time lucky for Richard *Heley, the prodigal son it* welcomed back from his adventures elsewhere and last month appointed managing director and head of corporate finance. He previously rejoiced in that title at Barclays de Zoete Wedd and Citibank UK, and took over his new position from Bay Green, who left suddenly to rejoin Kleinwort Benson.

Driven by losses in Hill Samuel's corporate lending division, TSB recently tightened its grip on its merchant bank. But the installation of TSB chief executive Don McCrickard as chairman and the appointment of Hugh Freedberg from TSB's insurance and investment division as chief executive, raised new doubts about the bank's future direction just as it seemed to have put the past fully behind it.

Heley dismisses the suggestion that Green's departure was in some way connected to *these changes, or a clash of* culture between the corporate financiers and the "Amex card salesmen" as the new chairman and chief executive were dubbed by some outsiders. Green's departure was totally unexpected, but totally amicable, he says.

Just before he left, Green, head of corporate finance since May 1 1988, said he thought Hill Samuel was winning the *fight to regain its lost credibil*ity. When he joined, the bank was at the nadir of its experience, and the view was that he had one of the hardest jobs in the City on his hands. The public perception of Hill Samuel was low. From a corporate point of view, it was written off.

The official line is that the traditional merchant bank is still very much unchanged since being taken over, although the stability and financial muscle brought to the party by TSB have *been useful.* The bank has had a quiet revolution, bringing in new people to replace those who felt they would not fit in to the new, more aggressive approach.

Because it does many large transactions, one of the bank's strong points is as a training ground in corporate finance

The specific structural change which occurred when Hugh Freedberg became chief executive was to put all the Hill Samuel businesses into a separately managed group within TSB, reinforcing the *Hill Samuel* brand.

Heley reacts quietly but firmly to the question of whether the much-forecast clash of cultures between the corporate financiers and the retail services salesmen is happening.

"In my BZW days people said corporate finance had a very *different culture to securities* and clearing bank people. We learned to live together and flourish. I see no reason why we shouldn't flourish, provided we ensure Hill Samuel retains a real merchant bank culture. I don't think there is anyone in Hill Samuel, including recent arrivals, who would disagree with that.

"Hugh Freedberg has defined a fairly specific strategy for the *bank as a whole, including a* no-holds-barred commitment to corporate finance business. That has been reinforced at TSB level. My job is to turn that into results. The Hill Samuel client list has deteriorated but people looking to build a corporate finance business have an awful long way to go to get anywhere near it."

There are also two features which one has to admire about the bank: its strong brand name and its sheer durability. After vanishing from sight in *1989, Hill Samuel reappeared in* FT Mergers & Acquisitions International's league tables in 1990, occupying 15th place in the table measuring completed bids for UK publicly-quoted companies, having advised on *six deals totalling £439m.* By the end of the first quarter of this year, it had moved up to fifth place.

Many banks argue that focusing on this measure of success gives a false impression of *their* performance, as the glamorous public companies business forms only part of their workload.

This is probably truer for Hill Samuel, long known for its market niche with smaller companies, than for many other major UK merchant banks. Even in 1989, when Hill Samuel was absent from the headline tables, it *still* performed reasonably well in terms of acquisitions and disposals overseas by UK companies. Ignoring value, it was sixth in terms of the number of deals.

One of the bank's strong points is as a training ground in corporate finance: it does not do the biggest transactions, *but does a lot of them.* In 1990, it moved up to third place in terms of the number of deals done.

Today, Hill Samuel admits it is still not in the big league, but argues it is going in the *right direction. Recent* business includes advising Yale & Valor in the agreed £404m bid by Williams Holdings, and Simon Engineering in its recommended £52m offer for Robertson Group. It was also *involved as an adviser in the* Brent Walker restructuring negotiations.

The bank claims to have added 20 clients last year and to be heading north, but its track record, as a bank which is traditionally on the *defensive* side and needs to renew its client list constantly as companies are taken over, is not necessarily the sort which attracts new clients. It would benefit enormously from being *on the attacking side in a high-profile* bid.

Nikki Tait meets Steve Schwarzman, president of Blackstone's New York banking boutique

Modest overheads and soaring ambitions

ASKED how many people Blackstone Group will employ in five years, Steve Schwarzman, president of the New York-based investment banking "boutique", pauses for a few seconds and then says "two hundred".

Given that the business has grown from two people and some office space in 1985, when it was founded, to around 160 at present, this seems a relatively modest ambition. Mr Schwarzman looks mischievous: "Our ambitions are not modest," he remarks, pointedly, "but our overheads are".

This is a familiar cry of boutiques. It is usually accompanied by the argument that investment bankers are free-wheeling, innovative characters who cope badly with bureaucracy and are more at home in the entrepreneurial, "small-firm" environment.

To the complaint that boutique organisations lack muscle when it comes to placing power or internal funding capacity, the standard reply is that these services can be bought in when required.

Both points have a good deal of validity. And it is true that while some of the Wall Street heavyweights have been shedding staff in painfully large slugs, the "boutique operations" have been ploughing their furrows rather more smoothly.

What is less frequently stressed is the drawbacks of these smaller-scale operations. On the one hand, they tend to lack geographical spread, at a time when when the mergers and acquisitions business is becoming increasingly international. On the other, there is limited flexibility between different areas of the investment banking business.

The investment banking "conglomerates" may have found their M&A departments overstaffed and underworked recently, but they did very nicely out of the boom in new issue business, and the surge in stockmarket values generally, during the first quarter of 1991. Many of the larger firms have also shifted resources from the takeover arena to bankruptcy/workout departments.

On both scores, Blackstone makes an interesting case study of how a boutique can try to respond. The company's history is well-known. It was set up in 1985, by Schwarzman and Pete Peterson, the former head of Lehman Brothers' M&A department and chairman of Lehman Brothers Kuhn Loeb respectively.

The emphasis has for the time being switched from Japan to Europe

Peterson, a former commerce secretary to President Nixon, had lost a bitter fight over control at Lehman Brothers, which was subsequently sold to Shearson. The duo, however, quickly recruited fellow executives, both from their old firm and from other Wall Street players, and the business has generally expanded since then.

It duly raised its own investment fund, a "must" in the days when leveraged buyouts were all the rage. And it built up a niche in mortgage-backed investments with the recruitment of Larry Fink, formerly with First Boston. Today, the operation is housed on New York's Park Avenue – a few floors of Manhattan office block which Blackstone executives say they hope not to have outgrown when the lease is up.

Like many of its fellow boutique operations, Blackstone paid early attention to the Japanese market and the ready demand for advice from Japanese investors looking to the States. Two of its first deals were Sony's \$2bn purchase of CBS Records and Bridgestone Tire's \$2.6bn acquisition of Firestone Tire & Rubber.

In late-1988, Blackstone announced that it was formally linking up with Nikko Securities – an engagement which seened to mirror other Japanese-American tie-ups on Wall Street, often involving boutique firms. Today, Blackstone claims that the relationship remains healthy, although it acknowledges that matters on the Japanese deal front have become much quieter. Indeed, the emphasis seems to have shifted, at least temporarily, towards Europe.

Here, there are now three alliances, based on operational understandings rather than share stake swaps: with Hambro Magan, a rare UK boutique operation; with Banque Suez in Paris; and, most recently, with Sol Oppenheim, a private bank, in Germany. Blackstone admits that the UK has scarcely been a boom area for M&A advice recently, but is more expansive about Continental Europe.

The change in the domestic business climate has been noted

Asked whether US attention, once centred on 1992 and all that, has not waned recently, Schwarzman claims that there is "no country in which there is more interest than Germany" and "it is imperative to have a beach-head there". This is precisely what the Sol Oppenheim link appears to be.

The Blackstone bankers are surprisingly realistic in admitting that, while they can construct intricate deals, it helps to have someone who can open doors to German boardrooms. This allows their skills to be put on show.

But isn't the chase for European business a game that everyone is playing? Schwarzman smiles. "It's competitive, but no more than the US," he remarks, adding that in Europe "there are more spheres of influence".

The search for ongoing M&A work notwithstanding, Blackstone has clearly recognised the change in business climate back home. In February, it recruited Arthur Newman, who previously headed Ernst & Whinney's restructuring business, to head a workout team. Today there are half a dozen people employed on this side of the business, and a range of assignments has already been won.

Perhaps most prominently, Blackstone is advising the California Insurance Department on its effort to "rehabilitate" Executive Life, the large Los Angeles-base insurer seized by the regulators earlier this year.

None of this has added up to mega-business. According to Securities Data, Blackstone ranked 55th in the league table of advisors in 1990, based on deal value, for mergers and acquisitions. But within the boutique structure, it would be hard to say that Blackstone has not done its best to respond to the changing market place. "We're trawling for big fish", says Schwarzman, cheerfully. One day, no doubt, they will start biting again.

Brian Bollen probes Baring Brothers' strategy

Global player with a London base

BARING BROTHERS is not a UK bank. It is an international bank which just happens to be based in London. According to James Lupton, director of corporate finance, that internationalisation is one of several reasons why London's oldest private merchant bank has continued to perform strongly at a time when other merchant banks have seen their M&A business collapse.

Baring Brothers, formed in 1762, topped the 1990 league table compiled by *FT Mergers & Acquisitions International* for advisers in bids for UK publicly-quoted companies, advising on nine bids worth a total of £2.6bn.

It was involved in three of the largest deals of the year, all in financial services and related fields: in the defence of Globe Investment Trust against the £1.11bn bid by British Coal Pension Funds; the £1.1bn merger between insurers Willis Faber of the UK and Corroon & Black of the US; and the £491m offer for property company London & Edinburgh Trust by Swedish insurance company SPP.

In its first appearance in the magazine's main international table, Barings came 10th last year with 33 deals worth \$7.9bn. Its role as sole adviser to Northern Telecom of Canada kept it at the top of the UK table in the first quarter this year. This strong performance at a difficult – for some wretched – time has its roots in the mid-1980s.

As the market went through the roof, Barings became concerned at its falling share of the domestic UK M&A market, a flagship area of its business. The bank, traditionally conservative because of an insistence on consistency and quality, and a shortage of external capital which means it expands behind opportunities, had failed to climb aboard the mega-bid roundabout. As a result, some saw it as lacking aggression.

After a bout of soul searching, Barings identified several important themes for the future:

By specialising in various industries it can talk to customers in their own terms

- Internationalisation;
- Industry specialisation;
- High level marketing by chairman and senior directors;
- Quality of service;
- Relationship banking;
- Independence.

"Given that we'd missed the domestic boat, we could see there was an opportunity for being well-known for advising on complicated international deals," explains Lupton. "We attacked that market aggressively. The Dixons-Woolworth bids and their like were very dependent on the state of the UK economy and the UK stockmarket. To have built up large overhead based on UK megadeals would have been to create a very fragile business. Over half our London-billed income has come from international deals over the past three years. That is a growing trend."

Barings recruited a group of people, now 11 strong, from industry and commerce. It claims industry specialisations in food and drink, health care, information technology, construction and building materials, insurance and other financial services, paper and packaging, and telecommunications. This enables the bank to talk to clients in their own language, a capability it feels is particularly important when trying to do business with people who have not used advisers before.

The bank is much more marketing-oriented today than five years ago. The approach of giving each director a list of companies to attack has worked. In 1989-90, all the increase in London billings came from new clientele. According to Lupton, Barings has been taking on clients at the rate of one a week, either on a specific transaction basis or on a relationship basis.

The inflow of published new clients has included Northern Telecom, Telfos, Berisford International, Northwest TV in the independent television franchise bidding process, and development capital group 3i. Barings admits to losing just one client in three years due to internal forces.

While other houses mark time, or contract, Barings is still recruiting. The number of corporate finance professionals it employs has more than doubled in the past five years, to around 140 worldwide. Staff turnover at the professional level is low, another strength when marketing.

Including London, Barings has 13 offices worldwide, largely staffed by locals. There are four offices in continental Europe, Paris, Milan, Frankfurt, Madrid; one in New York, five in the Far East. Barings made its big thrust in the Far East nearly 20 years ago, attracted by possibilities in Japan and following clients such as Inchcape and Metal Box which had interests in the area.

Nigel Melville, director of international corporate finance, describes Baring Securities as the leading European broker in Japan, and the leading international in other Asian markets.

The continental European operations have been built up in the past five years and will continue to grow, although it is not certain more offices will open. "The constraint is always people," says Melville.

Lupton: international search

The international offices enjoy local autonomy, within the limits needed to preserve the quality of the franchise. To bind the bank's capital by underwriting, they must have London's approval.

The exact degree of autonomy depends on the stage of development of the office, but, says Lupton, "we wouldn't recruit quality people if they couldn't run their own business, do their own deals, without running to Mummy all the time." All clients are approved in London as a result of the *House of Fraser report*, which criticised Kleinwort Benson for the lack of checks on new clients.

"We are as international as Goldman Sachs, we just have fewer people," argues Lupton, displaying a sensitivity common among London merchant bankers to that particular US intruder. "We are the only UK bank to have done a major deal for a publicly quoted company in the US." Barings regards its role as a sole adviser in the Willis Corroon merger as a landmark, taking it to a new confidence level in the US.

The involvement as adviser to Morgan Grenfell for over a year in the difficult period before it was taken over by Deutsche Bank bolsters the claim to be the merchant banker's merchant banker.

As clients concentrate again on a small number of advisers they can trust, the absence of public shareholders demanding an inexorable return on earnings per share means Barings is able, as well as willing, "to tell people not to do a deal, even if it's for hundreds of millions of pounds".

"It's no accident that we are where we are today," says Lupton. "We took a series of costly decisions and they're coming good. Corporate finance revenue has grown every year since 1985." That trend is continuing this year, though only just.

While others rush in, Barings has chosen to stand back from eastern Europe – other than east Germany, which it regards as western and will service from Frankfurt – for two reasons. First, it is saving resources for the great deal of work which remains to be done in western Europe. Second, it believes it can add value where there is a more developed corporate and securities market where companies are being bought and sold and can raise money.

Interest is reviving in Latin America where, despite the painful memories of sovereign lending to Argentina 100 years ago, Barings still has good connections. It is doing business in Chile and has raised a fund, the Puma Fund, to invest in the region. Looking further ahead – five to 10 years – Melville has marked down southern Africa as an area to watch.

While active in Latin America it sees southern Africa as an area to watch

The author is editor of FT Mergers and Acquisitions International

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

ICI keeps tabs on Hanson accounts

ICI, the chemical group, will not admit in public that it is dissecting the accounts of Hanson subsidiaries. But ICI advisers say privately that if Hanson bids for ICI, its counter attack will include a detailed analysis of how Hanson makes its profits and how it keeps its tax charge low. ICI hopes to show that Hanson's expertise is in financial engineering, rather than the management of industrial assets. Robert Peston reports. Page 25

Closing the market door

Brazil's stock markets are joining forces in an attempt to block the return of Mr Naji Robert Nahas (left), a speculator whose dealings led to the country's worst stock market collapse. He financed his stock market purchases with money borrowed from banks but in June 1989 the São Paulo Stock Exchange (Bovespa) imposed restrictions on Mr Nahas's purchases and he was forced to take a large part of his dealings to the Rio de Janeiro exchange. Victoria Griffith reports. Page 42

Emerald Isle rich in zinc

Ireland now seems certain to provide one of the world's substantial new sources of zinc in the second half of the 1990s. The joint venturers of the Lisheen project in County Tipperary announced yesterday that their latest drilling results showed it was one of the three largest base metals deposits discovered in western Europe in the past 20 years. Analysts said the deposits would be more than enough to support a $100m underground mining operation. Ken Gooding reports. Page 29

Shareholder suits in the news

Plans by Time Warner, the US entertainment and media group, to raise up to $3.5bn through a cunningly-contrived rights issue earlier this month sparked a bundle of shareholder lawsuits. Although such suits have long been an integral part of corporate life, they have recently been making headline news. Nikki Tait reports on the evidence that shareholder suits are increasing and looks at the benefits, if any, to shareholders and business alike. Page 22

Contractors caught between the devil and the deep blue sea

HMS Illustrious, the aircraft carrier, is now lying idle and engineless at Devonport naval base, symbolising the plight facing many British defence contractors waiting for the Ministry of Defence to sort out its requirements and spending priorities. Devonport Management Limited (DML), which runs the government-owned repair yard, had hoped to start the £120m ($195.4m) refit on the aircraft carrier next month, a task that represented a large part of Devonport's planned workload for the next two and a half years. It says a prolonged delay would "inevitably have financial consequences". Page 26

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Lahmeyer	670	+	15	Beghin-Say	598	+	13
Schmalbach	429	+	44	Interbail	518	+	21
Falls				Rhone Poulenc	335	+	19
Daimler-Benz	765	−	21	Falls			
Hapag Lloyd	390	−	10	GTM-Entr.	400	−	30
Kaufhof	505	−	10	La Henin	595	−	14
Springer Axel	650	−	15	UFB Locabail	286	−	14
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Allied Signal	33¼	+	3⅞	Hokko Chem.	1190	+	108
Amgen	115½	+	4¾	Takeda	1390	+	130
CBS/Seaman	24	+	1¼	Falls			
Safeco	67½	+	11¼	Ishida	764	−	60
Falls				Nihon Nohyaku	1350	−	100
Apple Comp.	42	−	1	Nippon Elect.	675	−	50
Compaq	30	−	1½	Okamoto Mach.	681	−	58

New York prices at 12.30.

LONDON (Pence)							
Rises				Beazer	83	−	6
AMEC	185	+	7	Bellwinch	22½	−	6½
Borland Intl	2650	+	175	Burtonwood Brw	117	−	16
Green Prop	95	+	15	Countryside	95	−	15
Rothmans Int B	980	+	45	Fisons	195	−	30
Sidlaw	161	+	6	Godwin Wood	66	−	4
Spaydeark	50	+	6	Gallagher Tst	134	−	19
Thorn EMI	742	+	14	Hawker Sddly	540	−	13
Willis Corroon	309	+	11	Helical Bar	134	−	10
Falls				Monarch Res	75	−	16
ADT	613	−	61	SMP	13½	−	4
BPB Inds	187	−	12				
BSG Intl	40	−	3½				

TSB falls to £150m loss at year-end

By David Lascelles, Banking Editor, in London

THE Trustee Savings Bank plunged into a £150m ($246m) loss yesterday, far exceeding the most pessimistic forecasts that had been made for the UK clearing bank group.

Sir Nicholas Goodison, the former London Stock Exchange chairman who has headed the group for the past two years, said he was disappointed by the result, but emphasised that vigorous action had been taken to deal with the source of the losses.

These were mainly in Hill Samuel, the merchant bank which TSB bought four years ago, and which has borne the brunt of the recession. Hill Samuel had to make £344m of provisions for bad debts, pushing it into a loss of £319m.

The loss was offset by a profit of £197m from the banking and financial services side of the group. However that was not enough to prevent TSB recording its worst result since it was floated on the stock market by the government in 1986. The figures cover the six months to April 30, coinciding with the steepest part of the UK economic downturn.

Sir Nicholas blamed the recession for Hill Samuel's difficulties, but said they were also due in part to "poor management and poor judgment". Hill Samuel had been overambitious in trying to build up its loan portfolio, and had taken on more than its share of bad credits during the late 1980s when the economy was still booming.

Most of the top management of Hill Samuel had been replaced, and the new team was working to clean up the loan book and give the merchant bank a new sense of direction. In future, it would concentrate much less on lending, and more on providing merchant banking services.

Sir Nicholas said he hoped that the action to repair Hill Samuel's loan book was complete. But he warned: "It is possible, however, that there will be some need for additional provisions if this very severe recession continues."

TSB will pay an unchanged interim dividend of 3.15p per share.

TSB executives stressed that the Hill Samuel result obscured progress elsewhere in the group to bring costs under control, and secure the benefits of TSB's involvement in different types of services such as insurance and finance.

Although all UK clearing banks have been badly hit by the recession, the TSB result is the worst so far. The big four clearing banks made £3bn of provisions for bad debts last year, but all reported a profit for 1990. Analysts said the TSB result showed that the clearers were still likely to bear the marks of recession when they report their results for the first half in early August.

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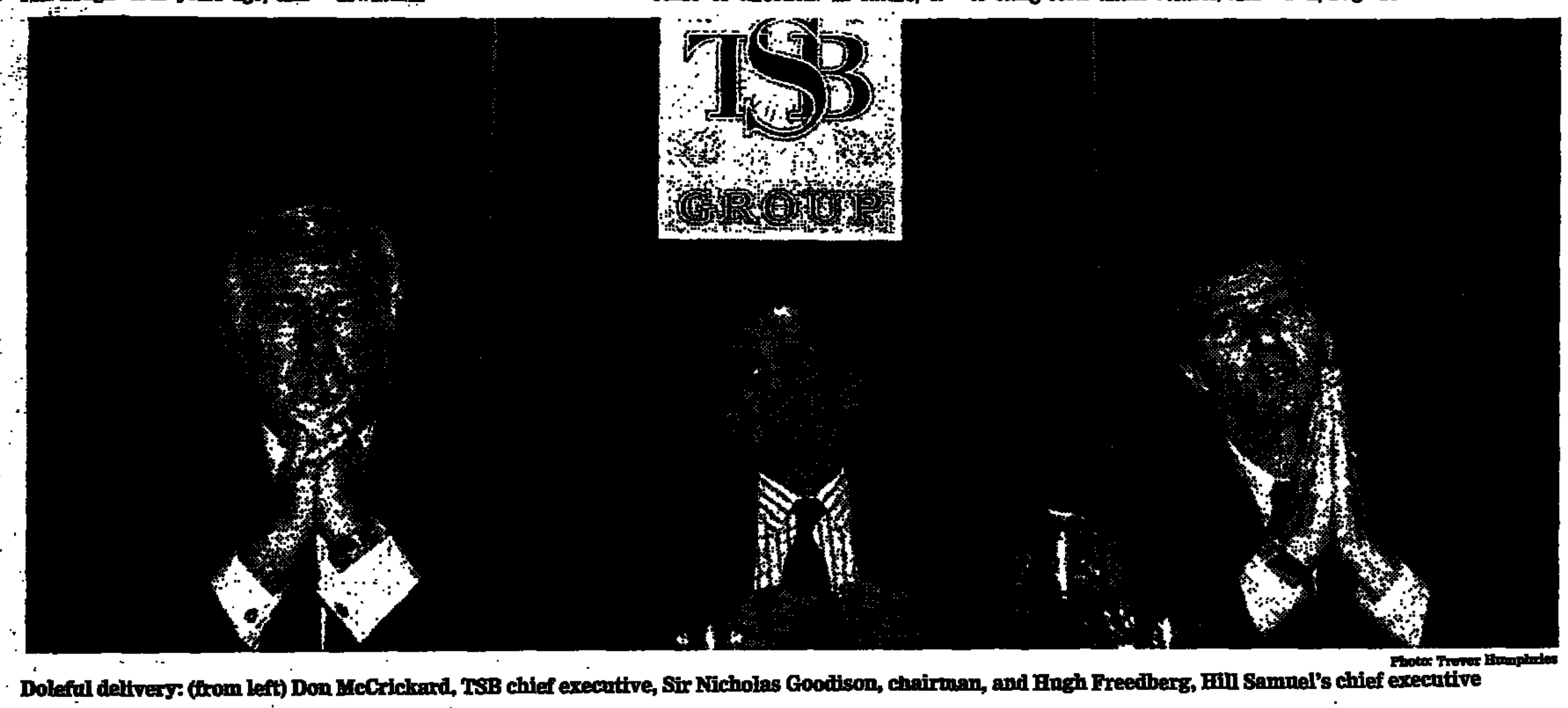

Photo: Trevor Humphries

Doleful delivery: (from left) Don McCrickard, TSB chief executive, Sir Nicholas Goodison, chairman, and Hugh Freedberg, Hill Samuel's chief executive

Tale of diversity and disaster

TSB Group can blame its loss on entering an unfamiliar area, reports David Lascelles

THE £150m ($246m) loss, which Trustee Savings Bank Group announced yesterday, was far worse than the City of London had expected, and must by any standards rate as a disaster for the UK's sixth largest clearing bank. Yet the group's share price hardly budged, closing down only 1p at 143p on the day.

To some extent, this reflects the success of a TSB damage limitation exercise which began with a sharp profits warning by Sir Nicholas Goodison, chairman, in March. But it also underlines two key facts about TSB.

One is that the group's problems are confined to a specific area – Hill Samuel, the merchant banking arm – while other parts are turning in a profit. A second is that the size of the losses was exaggerated by the eagerness of new management to give Hill Samuel a thorough clean-out.

A full-scale review of every loan on the book showed that 10 per cent of them had gone bad, much the highest loss rate among the big banks. The resulting provisions pushed Hill Samuel into a £319m loss.

The reasons for this disaster are a tale of thwarted banking ambition and admitted incompetence. Sir Nicholas blamed "...the recession, but also poor management and poor judgment".

When TSB bought Hill Samuel for £777m in 1987, it intended to use it as a vehicle to enter the corporate loan market, an area it had never touched. Through a combination of aggressive pricing and vigorous marketing, it rapidly built up a £5bn loan book. But much of it was of low quality, and highly vulnerable to the recession, epitomised by Hill Samuel's biggest headache, its £130m exposure to Brent Walker, the property and leisure group, now in financial trouble.

So there is to be a change of direction. Mr Hugh Freedberg, the new boss at Hill Samuel who is conducting the clean-out, says: "Quality of assets is more important than market share." From now on, the loan book will grow at a more restrained pace, if at all. Hill Samuel will concentrate on its more traditional role of providing merchant banking services to medium and small-sized companies.

The loss was partially offset by a better performance from TSB itself, which includes retail banking and the sale of investment and insurance services. It reported profits of £197m, an 21 per cent increase.

Mr Peter Ellwood, who heads this division, has been cutting costs, and upgrading the business by redesigning branches and training staff. He is optimistic that TSB can hold a strong position.

However, the better news from TSB was totally overshadowed by Hill Samuel, and yesterday some asked whether those responsible for the disaster had got their just deserts.

Mr John Aitken, analyst at County NatWest, said the result was "appalling" and suggested that more heads should roll. "I think Sir Nicholas and others who held tenure should do the decent thing," he said, pointing to the recent departure of Sir Kit McMahon from the Midland Bank after its big losses. Sir Nicholas, who took over at the beginning of 1989 when Hill Samuel was still expanding its loan book, said he had given a lot of thought to responsibility but he felt he had taken the required action by reducing the board to less than half its former size.

Mr Don McCrickard, group chief executive, agreed that he had been party to some of the larger bad lending decisions. "I don't feel happy about that at all," he said. "But you form your judgment on how things look at the time."

TSB has been cursed by a series of blunders since it was floated by the government in 1986. dashed. Hill Samuel, bought in 1987, has now eaten up more than £1bn of TSB's capital. Target Life, also bought in 1987 but sold at a loss last year, cost the group another £300m. There has also been a £125m provision for reorganising the TSB structure to make it more efficient.

All this has reduced the £2.3bn of capital with which the TSB was endowed after the flotation to only £1.7bn, a fall of £600m, which Sir Nicholas described as "unsatisfactory".

However, this still leaves the TSB group one of the most strongly capitalised of the UK banks, which removes any worries that it may have to tap the market to repair the damage done to its balance sheet.

The message that Sir Nicholas and his team were keen to get across yesterday is that TSB is coming to grips with the problems in Hill Samuel. Lending criteria have been tightened; provisions should be past the worst (though that will depend on the UK economic recovery); and the group as a whole has plenty of strengths on which to build. The resilience of the share price suggests that the City of London shares that view.

What TSB has been unable to prove so far is that a financial supermarket combining traditional banking with merchant banking, insurance and investment services is a viable proposition. If anything, it has reinforced the conventional wisdom that banks always get into trouble when they try to move into new markets.

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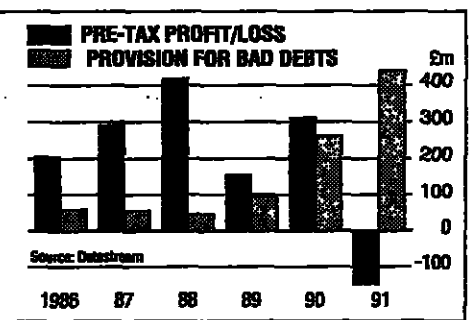
TSB GROUP
Shareholders' funds (£m)

DATE	AMOUNT	EVENT
1986	1,620	Floated
1987	2,269	Bought Target Life for £277m
1988	1,866	Bought Hill Samuel for £777m
1989	1,853	£125m charge for reorganisation
1990	1,814	£80m write-off on Target sale
1991*	1,660	£319m loss in Hill Samuel

* half year



Tapie in plan to cut Adidas debt

By George Graham in Paris

MR BERNARD TAPIE, the flamboyant French financier who last year paid an estimated FFr2bn ($330m) to take control of the Adidas sporting goods group, is working on a plan to bring in outside investors in a bid to pay off some of his debt.

Mr Tapie, who is due to make a first repayment of FFr600m to his bankers in August, has announced a plan to open up the capital of BTF, the German holding company through which he controls 95 per cent of Adidas, to its managers and to institutional investors.

The management of Adidas, led by Mr René Jäggi, could take around 10 per cent of the capital, with a further 35 per cent going to institutions.

Mr Tapie said these institutions would probably include Crédit Lyonnais, the French state-owned bank which has traditionally been one of his main backers and which is already exposed to FFr550m of the first FFr1.6bn loan he contracted for the Adidas purchase.

From the moment last July that he first announced his plan to acquire Adidas – at the time a loss-making concern – bankers have expressed doubts about Mr Tapie's ability to finance the deal.

Mr Tapie, whose business career has been built mostly on the purchase and rapid turnround of bankrupt companies, first paid FFr1.6bn to the four daughters of Mr Horst Dassler, Adidas's founder, for 80 per cent in the company, and then bought a further 15 per cent stake from Metro, the Swiss retailer, for about an extra FFr400m.

In the absence of immediate information on the financing of the deal, the Commission des Opérations de Bourse (COB), France's stock market watchdog, suspended the shares of all Mr Tapie's listed companies.

Since then, Mr Tapie has said he intended both to increase the capital of BT Finance, his main listed French holding company, by some FFr600m and to sell off all his group's other assets, including Testut and Terraillon, the weighing machine makers, La Vie Claire, a chain of health food shops, and Donnay, the tennis racquet company.

The capital increase for BT Finance, of which Mr Tapie controls 57 per cent, has not been totally ruled out but the entrepreneur is thought likely to prefer opening the capital of his German holding company. He also raises the possibility of a stock market introduction for this company in 1992 or 1993.

Rothmans lifts profits by 21%

By Michiyo Nakamoto in London

ROTHMANS International, the tobacco and luxury goods group, lifted pre-tax profits by 21 per cent from £484.5m to £542.5m, ($889.7m) helped by a rise in tobacco sales and an improvement in operating efficiencies at its luxury products subsidiaries.

The higher profits for the year to March 31 came on increased turnover of £2.29bn (£2.22bn) supported by sales on the tobacco side up from £1.91bn to £2.05bn.

Buoyant tobacco sales, particularly in the emerging markets of the Far East and eastern Europe, made up for the growing trend in the west to give up cigarette smoking, although the group said there was no significant downturn in most of its markets.

"Certain markets are more difficult than others," said Lord Swaythling, executive chairman. However, "the tobacco side has done outstandingly well".

The group's luxury goods subsidiaries, principally Dunhill Holdings in which it has a controlling interest, and Cartier, were affected by the worldwide downturn in consumer spending, weaker export currencies and the lack of travellers due to problems in the Middle East, particularly in the latter part of the financial year.

Turnover in its luxury products subsidiaries fell 8 per cent to £208m (£227m).

However, Lord Swaythling said that, because of the nature of the group's luxury products, sales were unlikely to have been affected as much by the recession as other consumer products.

Rothmans achieved higher operating profits in its two core businesses. On the tobacco side operating profits rose by 8 per cent to £351.5m (£324.5m).

The luxury products business also helped operating profit by 7 per cent through improved efficiencies and productivity gains.

Cartier Monde, the group's chief associated undertaking, raised operating profit by 17 per cent in dollar terms, although this was restricted to 3 per cent in sterling terms.

Net liquid funds rose to £713.6m from £702.4m, "a relatively modest improvement" due to adverse exchange rates.

Acquisitions totalled £161m, including £73m related to the purchase of Theodorus Niemeyer B.V., the Netherlands based company producing fine-cut and pipe tobacco.

Earnings per share were 78.5p (64.4p) and a final dividend of 11.7p (9.2p) per ordinary share and "B" ordinary share is recommended, making a total of 18.5p (15.4p).

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Creditors must agree on Federconsorzi plan today

By Haig Simonian in Milan

CREDITORS of Federconsorzi, the financially-troubled Italian farm services group, must decide today whether to accept the voluntary liquidation plan put forward by the farm minister, Mr Giovanni Goria.

Failure to reach agreement on the voluntary scheme, which has been strongly opposed by foreign bank creditors, could trigger the collapse *of the plan and lead to the* much lengthier and costlier alternative of a court-supervised forced liquidation.

Italy's leading banks have agreed in principle to the voluntary scheme. However, foreign bank creditors, which met on Wednesday to discuss their response, have not revealed their position.

Mr Guido Rosa, the head of the Foreign Bankers' Association in Italy, said the banks had agreed not to comment on their decision.

However, it seems likely that the foreign banks will ask for more time, and possibly *more detailed information*, pending a later response.

In a clear threat to those foreign banks agitating most strongly *over their credits to* Federconsorzi, a top Italian banking official warned that if foreign banks did not play the game in Italy, they "would not be in as favourable a position as otherwise".

On the other hand, a policy of co-operation "would not be *ignored", he said. The implicit* reward appeared to be preferential treatment in Italy's substantial international borrowing activities.

According to the Federconsorzi rescue proposals, many details of which have still to be resolved, bank creditors must agree to a moratorium on interest and principle as of January 1this year.

The plan allows for some smaller trade creditors to be paid off, while other larger creditors will be invited to take equity in a new company to be created from Federconsorzi's ashes.

While there are signs of a narrowing of differences between foreign and domestic bank creditors over Federcon*sorzi's problems, a wide split* remains over the Agrifactoring issue, the subsidiary of the state-owned Banca Nazionale del Lavoro (BNL) group.

Foreign bankers argue the two issues are not linked, and place responsibility for Agrifactoring's borrowing exclusively *with BNL*.

However, there are some signs that the Italian authorities are trying to establish an informal compromise. That would involve a trade-off between foreign bank agreement to the Federconsorzi voluntary liquidation, in return for some, as yet unspecified, commitment on the part of the authorities to help resolve the Agrifactoring issue.

A possible agreement might involve a commitment by BNL to pay Agrifactoring's creditors, but only at a discount reflecting the loss taken on Federconsorzi's borrowings, *rather than at face value*.

Altus to proceed with US bid

By George Graham in Paris

ALTUS FINANCE, the investment banking and arbitrage subsidiary of France's state-owned Crédit Lyonnais bank, is still in the market to acquire Executive Life, the troubled Californian insurance company under the management of the state insurance commissioner, despite the withdrawal of the companies named as its backers.

An Altus spokesman said yesterday that an investor group is still in place and other parties are discussing joining the group. "Financial commitments from group members will be forthcoming at such time as a definitive agreement with the conservator is reached," he added.

Navigation Mixte, the champagne to orange groves conglomerate which had previously been named by Mr John Garamendi, the California insurance commissioner, as one of Altus's backers, had earlier said it had not given its agreement to the bid.

Mr Jean-François Hénin, Altus's chief executive, has repeatedly refused to respond to questions about his company's offer for Executive Life, itself part of the First Executive Corp.

It is understood, however, that Altus's consortium is alone in seeking to acquire Executive Life, which collapsed in April under the burden of its large junk bond portfolio.

Locstar plans voluntary liquidation

LOCSTAR, the European satellite message service operator, is preparing to go into voluntary liquidation, a spokesman for the company said yesterday, writes William *Dawkins in Paris*.

The group, launched three years ago by the French Centre Nationale d'Etudes Spatiales, with Geostar, a US satellite telecommunications group, is short of FFr500m ($82.5m) worth of financial guarantees, an official told AFP, the French news agency.

Locstar offers cheap mobile communications and location-*finding for trucks and ships* and has struggled against competition from a similar service which started operation at the start of this year run by Alcatel, the French telecommunications group with Qualcomm, another US satellite message group.

Mr Jean-Jacques Sussel, Locstar's president, is expected to propose liquidation to a share*holders' meeting before* the end of July, said the spokesman. Its shareholders also include British Aerospace, Alcatel of France and Daimler-Benz of Germany.

Walker takes his fight to court

By Maggie Urry

MR GEORGE WALKER, the ousted chief executive of Brent Walker, had writs served yesterday on eight of the nine banks in the steering committee of lenders to the UK company, which is in the middle of a financial restructuring.

The writs seek an injunction to stop the banks voting shares they hold to remove Mr Walker from the board at a special shareholders' meeting next Tuesday. Mr Walker also wants to stop the banks imposing his removal as a condition of the restructuring. The High Court is expected to hear the case next Monday.

The group was hoping that approvals for the restructuring from its 47 banks and the dozen banks which have lent to William Hill, its bookmaking subsidiary, would arrive by this weekend. One banker said, though, that Mr Walker's legal moves were slowing the process of approval.

Mr Walker argues that the banks cannot say his removal is a condition of the refinancing because Standard Chartered, the head of the banks' steering committee, wrote him a letter dated November 27 1990, saying he would remain as chief executive of the group *until he retired at 65. He is 65* in April 1994. The letter was written at the time of a £101.9m convertible bond issue, in which Mr Walker and his family invested £32m.

As well as Standard Chartered, the banks named are Lloyds, Hill Samuel, Arab Banking Corporation, Crédit Agricole, Bank of Yokohama, Svenska Handelsbanken and TSB. Not included is Credit Suisse, a member of the steering committee which has indicated it will vote for him to stay on the board.

Ms Denise Kingsmill, Mr Walker's solicitor, expects writs to be issued today against Brent Walker in connection with compensation for loss of office for himself, Mrs Jean Walker, his wife and also a director, and Mr Jason Walker, his son. He is expected to claim around £1½m to £2m from the company as well as £20m compensation from the banks.

Endesa to lift its stake in Sevillana to 33.5%

By Tom Burns in Madrid

ENDESA, the government-controlled utility, is to increase its shareholding in Sevillana, the private generator that supplies Southern Spain, to 33.5 per cent, under last minute compromise agreed yesterday that paves the way for a large scale reorganisation of the fragmented domestic electricity sector.

The agreement put an end to an acrimonious dispute between the companies and averted a hostile takeover bid by Endesa that Sevillana, which had alleged unfair competition by the public company, had threatened to put before the European Commission.

Full details of the deal have not been revealed. However, it is understood that Sevillana's management will remain in control of the company and the Instituto Nacional de Industria (INI), Spain's public sector holding company, will reduce its 75 holding in Endesa to allow Sevillana shareholders to buy into its equity.

Sevillana will allow Endesa, which already owns 9.8 per cent of the company, to raise its shareholding beyond 20 per cent. Endesa relinquished its aim to acquire 40 per cent of Sevillana and exert management control.

"In the circumstances this is a very good deal for Sevillana for it will protect its minority shareholders and maintain its respect the management's independence," said Mr Jaime Carvajal, chairman of the merchant bank Iberfomento that was advising the private utility. Sevillana and Endesa are likely to reveal wide-ranging plans for joint industrial projects.

Mr Claudio Aranzadi, the Industry Minister, said that a link up between the two companies was the result of a "logical process".

Endesa, which sells the bulk of what it produces to Spain's private utilities, for it has limited distribution of its own, was anxious to boost its consumer base while Sevillana was in need of greater capitalisation.

Mr Aranzadi said that he now expected the domestic electricity sector to to be reorganised around three main groups that would absorb the smaller companies, comprising Iberduero and Hidrola, the two main private utilities which agreed on a merger last month. The second would be based on the Endesa and Sevillana agreement and and the third group would be built around Union Fenosa, the third-ranked private utility, and one of the most *profitable in the sector*.

Yesterday's agreement allows Mr Aranzadi to put the final touches to a long overdue National Energy Plan that will lay down the guidelines of the domestic power sector for the rest of the decade. On the basis of this plan, which will be announced by the government next month, the three emerging utility groups are expected to agree on a number of asset swaps to allow each a similar energy mix.

Matra to pull out of Ufima

By George Graham

MATRA, the French electronics group, plans to withdraw from Ufima, the loss-making car components company in which it partners Italy's Fiat.

Mr Frédéric d'Allest, Matra's managing director, said the group was studying with Fiat and with the car-makers concerned the restructuring necessary for Ufima and the conditions for Matra's withdrawal.

"It is no longer a major strategic axis for us," Mr d'Allest said.

Matra has 35 per cent of Ufima, which includes car electronics companies such as Veglia, Jaeger and Solex, to Fiat's 65 per cent.

Ufima's results have been sliding for two years, and last year fell into the red on sales of FFr9.8bn. It made a negative contribution to Matra's net *earnings of FFr52m.($8.6m.)*

Fund agrees to NKr1.5bn cash injection for Fokus

By Karen Fossli in Oslo

THE Nowegian commercial banks' Guarantee Fund, which as a financial safety net for the sector, yesterday agreed to a conditional transfer of NKr1.5bn ($215.5m) in preference capital to prop up the troubled Fokus Bank, Norway's third biggest bank.

Last December, the fund provided Fokus with a conditional NKr1.5bn guarantee to help it meet new capital adequacy rules. That guarantee is to be converted into the new cash transfer.

The bank's shares moved from an all-time low of NKr7.50 on Wednesday to NKr13 yesterday on news of the capital injection.

Mr Trond Reinertsen, head of the fund, explained that the preference capital is a new *instrument developed* by the fund which has higher priority than preferential share capital. He said the cash will better serve the bank than the (paper) guarantee, with the added *advantage of being able to earn* interest for Fokus.

But the fund laid down stringent conditions, including a demand that Fokus write down *the par value of its shares* to NKr10 from NKr50, to cover losses. In December, the fund required Fokus to write down the par value of its shares by 50 per cent to NKr50 in exchange for the guarantee.

Fokus must also cut costs by 20 per cent during 1991-92 and submit a plan on how the bank will be brought into balance by the of end 1992 while working to secure fresh equity capital.

The fund also said that the central bank must support the liquidity of Fokus.

In the first four months of this year, operating losses at Fokus more than doubled to NKr256.6m and the bank warned of a poor performance for the full year, making it difficult to comply with the fund's demand to secure the legally-required equity capital.

BPB plans £125.5m rights issue

By Andrew Taylor in London

BPB Industries, Europe's biggest plasterboard manufacturer which is involved in a price war in the UK, France and Germany, yesterday announced plans to raise £125.5m ($205.82m) through a rights issue.

The British company blamed falling European prices and the recession in the UK construction market for a 28 per cent fall in pre-tax profits from £126.4m to £90.8m during the 12 months to the end of March. It is offering shareholders one new share at 156p for every five already owned. BPB's share price slid 12p to 187p on the announcement.

The cash call, which has been fully underwritten by N.M. Rothschild, takes the total amount of money sought this year by UK construction and building material companies from rights issues to well over £1bn.

RWE sees increase in profits

By Andrew Fisher in Frankfurt

RWE, the German energy and *industrial group, said it would* report a higher profit for the financial year to June 30 1991, and plans a heavy investment programme in east Germany.

Net profits would be well above the DM784m ($440m) of 1989-90. All divisions except waste management, which is still being built up, contributed to the improvement, enhanced by the one-off impact on profits of a change of year-end at its Rheinbraun coal subsidiary.

Turnover was 19.4 per cent higher at DM48.8bn ($27bn).

Mr Friedhelm Gieske, chief executive, has already indicated that the dividend would be increased from last year's DM10.

Elaborating on RWE's investment plans, he said yesterday that spending in east *Germany would rise to DM8bn*.

INTERNATIONAL COMPANIES AND FINANCE

Autolatina hurt by price controls

By Martin Dickson in New York and Christina Lamb in Rio de Janeiro

FORD Motor of the US said that Autolatina, its Brazilian joint venture with Volkswagen of Germany, has been losing $40m to $60m a month since the government imposed price controls in February.

Mr Louis Ross, executive vice-president for Ford's international automotive operations, said in an interview at the group's Detroit headquarters that Brazil's soaring inflation meant Autolatina's wage bill was rising much faster than prices, which have been restrained by the government. He said the wage bill rose 79% in April and May, while price increases and tax concessions had amounted to 19.3% since March.

The losses had been initially running at $60m a month, but this was now down to $40m.

Ford and Volkswagen are not alone in their complaints. General Motors recently moved its headquarters for Latin America from Sao Paulo to Miami, and in a recent interview Mr Jacy Mendonca, head of Brazil's Vehicle Producers' Association, said that the country's total vehicle production had dropped by 20 per cent since last year.

Ford and Volkswagen have asked the government to allow them to raise prices by 45 per cent. However, at a meeting with officials earlier this month the car-makers were allowed an average increase of only 6.5 per cent, although the tax burden on vehicles was also reduced temporarily.

The companies believe that prices are still far below what they need to break even. Suppliers, facing the same problem, have intermittently stopped production of parts such as tyres, causing further disruption.

Autolatina, as one of Brazil's biggest industrial operations – employing 50,000 workers as well as providing considerable indirect employment – has traditionally commanded strong lobbying power. But since President Collor took office last year, threatening to break up cartels and dismantling protectionism, the company has been locked in battle with the government.

Before the price freeze was imposed, the company was asked several times to explain "abusive price rises" and job cuts.

Mr Ross said that Ford and Volkswagen were considering what investments in Autolatina could be deferred and acknowledged that the situation might make the companies reconsider their long-term commitment to the Brazilian market.

Autolatina has 57 per cent share of the car and truck market, but Brazil is now producing fewer cars than at the start of the decade.

According to Mr Ross, Autolatina earned profits in 1989 and 1990 despite a 6 per cent contraction in Brazil's economy last year. However, losses in 1991 might exceed the profits earned in the two previous years.

Ford's problems in Brazil could not have come at a worse time. As with other US automobile manufacturers, it is expected to announce heavy second-quarter losses next month due to recession in the US market and reduced profitability in Europe.

PPG enters joint venture with Swedish paint maker

By Ian Hamilton Fazey

PPG Industries, the US-based world market leader in painting cars during manufacture, has taken 51 per cent of a joint venture with Wilhelm Becker, Sweden's leading industrial paint maker.

The move signals an industrial marketing war – involving PPG, ICI of Britain and two German companies, BASF and Herberts – for control of the paint shops of Volvo, Saab and General Motors throughout Scandinavia.

The new venture, to be called PPG-Becker, will only involve Becker's automotive paints. Although the headquarters will be at Becker's main industrial coatings offices and research centre in Marsta, near Stockholm's Arlanda airport, PPG will control the venture.

"We expect to substantially tighten our grip on European markets," said Mr Austin O'Malley, a director of PPG-Europe.

PPG did not disclose the size of its investment in the venture, nor would it reveal if it had plans eventually to bid for the whole of Becker's industrial coatings business.

PPG's increasing dominance in the industry stems from its development of advanced systems for electro-coating car bodies. The process developed by the company involves undercoating, the principal element in automotive anti-corrosion guarantees.

Early car-painting methods developed by ICI and Herberts wired the car body as an anode so that negatively charged particles of resin and pigment stuck to it when it was dipped into a tank of paint.

In 1976, PPG developed the first commercially viable system in which the resin and pigment could be charged positively, with the car body wired as a cathode. This enabled the paint to deposit more evenly and bond better. Using the new process, car makers for the first time could meet Canada's six-year anti-corrosion standards – the world's toughest.

The result has been that PPG now has 63 per cent of all electro-coating tanks in the world, while another 30 per cent use PPG technology under licence.

The technology has made PPG the leader for all automotive coatings applied in the factory, with 21 per cent of the £2bn ($3.36bn) world market.

Saab uses Herberts technology, while Volvo's suppliers – ICI and BASF – are licensees of early versions of PPG's technology.

Sharp contrast posed by Argentine phone companies

By John Barham in Buenos Aires

ARGENTINE officials are puzzled by preliminary financial statements from the country's two recently-privatised telephone operators.

The companies have reported sharply divergent profit figures, even though their sales are roughly comparable. One operator reported profits 60 times greater than its competitor.

In November, Argentina divided its state-owned telephone network in two, selling one half to a consortium led by Spain's Telefónica and the other half to a consortium jointly led by STET of Italy and France Telecom. The privatisation raised $214m in cash and retired $5.03bn of foreign debt.

According to unaudited figures sent to the National Telecommunications Commission (CNT), the Spanish consortium which operates the network in southern Argentina, said it had earned $36.7m on sales of $408.2mn in the period to March 31. The French-Italian network, which covers northern Argentina, said it had earned just $600,000 on sales of $319.4m.

Executives of the northern network claim their lower profits are due to rigorous implementation of depreciation and inflation-accounting rules.

CNT officials may request an independent audit.

Telefonica's Argentine partners are unhappy with its management. An executive said that the Spanish wanted full control of the company and wished to shut out the Argentine partners.

Equitable Life's ratings under review by Moody's

By Nikki Tait in New York

MOODY'S said yesterday it was reviewing the ratings assigned to Equitable Life, the large life insurance company currently in talks with Axa Groupe of France over a possible $1bn capital injection.

The move by the US rating agency seems set to put further pressure on these discussions, which have dragged on for some weeks as the two companies and insurance regulators attempt to work out the details of highly complex deal.

Moody's said it had placed the A3 financial rating of Equitable on review "with direction uncertain" – meaning that it could be either raised or lowered.

It suggested its conclusions would be affected by the "timing, success and adequacy of the capital raising process, as well as the uncertainties associated with Equitable's enhanced yield and commercial real estate exposures". Equitable has relatively sizeable portions of its investment portfolio in these two areas.

Axa's chairman, Mr Claude Bébéar, announced earlier this month the French company had reached agreement in principle with Equitable. However formulating a deal which satisfies the two parties and the New York state insurance regulators has proved difficult.

Axa had planned to inject the funds in return for a minority stake when Equitable turns itself from a mutual company into one owned by shareholders next year. Objections centre on the difficulty of projecting Equitable's value at the time of the demutualisation.

Pfizer readies securities issue

PFIZER, the drugs, health-care and chemicals group, yesterday announced a shelf registration with the US Securities and Exchange Commission which would allow it to issue up to $750m of debt securities, writes Nikki Tait.

Pfizer, which has not issued public debt securities for a decade, said it would use any proceeds for "general corporate purposes, including the reduction of corporate borrowings".

Standard & Poor's, which is putting an AAA rating on the securities, noted that the group's pharmaceutical research spending tops $750m a year and that Pfizer is also developing medical device and consumer products divisions.

Eljer and Jacuzzi reach no agreement in bid talks

By Nikki Tait in New York

SHARES in Eljer Industries slumped a further $1⅛ to $13¾ yesterday morning after the Texas-based manufacturer of heating, plumbing and ventilation equipment announced that a meeting with Jacuzzi, the whirlpool bath-maker, had brought no agreement on the latter's $20-a-share bid offer.

Jacuzzi, based in California, is owned by Britain's Hanson group. Its potential offer would value Eljer at $145m.

In a statement, Eljer said the two companies had agreed that, before pursuing the matter, they would need to "further discuss and analyse the implications of a recent adverse (court) decision... in Eljer's lawsuit against its insurers, regarding insurance coverage for the polybutylene plumbing system manufactured and sold by US Brass Corp". US Brass is a wholly-owned subsidiary of Eljer.

A spokesman for Eljer said no further meeting had been scheduled.

Eljer revealed earlier this month that a US district court had ruled against it in a suit centred on the insurance coverage for a plumbing system made by US Brass. Eljer is appealing the decision, but has warned that the effect on its financial position could be material if the latest decision is upheld.

INTERNATIONAL COMPANIES AND FINANCE

Seizing a chance to make a buck

Nikki Tait reports on the rising tide of shareholder lawsuits

WHEN Time Warner, the huge US entertainment and media group, announced plans to raise up to $3.5bn through a cunningly-contrived rights issue earlier this month, it may have suspected that it was treading on delicate ground.

Within a week, there was no doubt. Time Warner executives were sitting on a bundle of shareholder lawsuits, all protesting at the cash call. One lawyer claimed that no less than 15 actions were in the pipeline; Time Warner's lawyers said they had received six, of which three are class actions and three are derivative (brought by shareholders for the corporation).

In one sense, this is unsurprising. Litigation is familiar response in the US, and shareholder suits have long been an integral part of corporate life. A select band of law firms – such as New York's Milberg, Weiss, Philadelphia's Berger & Montague, or Greenfield & Chimicles in Haverford – specialise in this area, and few corporate deals or profit warnings seem to pass without one lawyer or another seizing the chance to make a buck.

Non-derivative shareholder suits usually take the form of "class actions," with the lawyers working on a contingency fee arrangement. This means that they share in monies recovered, but take the risk of no fee if the action fails.

But, while the procedure is well-established, it has been making headline news recently. Only last month, for example, there was the Apple Computer case, in which two former executives were found guilty of making "materially misleading statements" about prospects for a new disk drive which the company was developing in 1982.

The drive, known as the Twiggy, was scrapped the following year, when Apple shares fell sharply. Apple refused to settle, but, at the end of the day, the jury ruled that the two individuals were liable for an estimated $100m of shareholder losses.

Then there was the Nordstrom case, where shareholders claimed the Seattle-based retailer had failed to disclose potential liabilities stemming from past pay practices. Here, the defendant took a more pragmatic approach: the company agreed, in May, to pay $7.5m to shareholders who had bought shares between February 1988 and March 1990.

Meanwhile, a rumbling shareholder suit at Sears Roebuck, brought to light a heap of internal management documents, and fuelled the debate over corporate governance at the country's largest retailer. Shareholders are claiming that Sears' restructuring plan, announced in 1988, was designed to entrench management, rather than benefit investors. Sears denies this.

And, not least, there has been the role played by class action lawyers in the securities litigation against Drexel Burnham Lambert, the now-bankrupt US investment bank. In May, just over one year after Drexel's demise, a potential settlement was carved out, splitting the estate between the bank's conventional creditors and those who allege that the high-flying junk bond specialist broke securities laws. Although the deal still faces obstacles, class action lawyers played a part – alongside advisers to the Federal Deposit Insurance Corporation – in bargaining for the litigants.

Such activity raises a number of questions. Are shareholder suits on the increase, and is there any marked change in the pattern of settlements? And, most importantly, is the practice an efficient protection for shareholders – or has it simply become an added expense for business, in which the merits of claims bear little relationship to the sums extracted on the investors' behalf?

On the first score, there is certainly some evidence that the number of shareholder suits is increasing, although lawyers tend to be cagey about reading too much into the limited statistics. For example, Washington-based Class Action Reports, a legal publication, recorded 315 securities class actions filed in federal courts last year, a sharp jump from the annual figure of between 90 and 150 which persisted throughout the 1980s. The last time the annual figure topped 300 was in 1974, another recession-hit year.

Intuitively, this makes some sense. When times are tough, and bad news flows from the corporate sector, there is more likely to be disgruntlement among shareholders – although the virtual demise of the takeover business in the US has also curtailed one active area for shareholder suits.

That said, the publication points out that figures are probably muddied by the flood of litigation stemming from the US thrift industry's troubles. And some lawyers also suggest the volume of securities litigation should be viewed in relation to trading levels, which have also grown, rather than as an isolated figure.

> Very few class actions go through a full trial; most are settled out of court along the way, often without admission of liability or wrong-doing

Assessing trends in the outcome of such actions is harder still. The Apple case notwithstanding, very few class actions go through a full trial; most are settled out of court along the way, by the defendants. Clearly, the burden of lawyers' fees and the "time-value" of money comes into play here – although, not surprisingly, everyone is keen to stress that they will go the distance if necessary. "Our firm has increased its resolve to take matters to trial," claimed Mr Melvyn Weiss of Milberg, Weiss, for example.

Perhaps the most thorough recent study of the subject has been conducted by Yale Law School. Here, a randomly selected sample of 535 public corporations was drawn up, and all the lawsuits filed against them from the late 1960s to 1987 examined. The study found that about one-fifth of the firms encountered shareholder suits.

Most of these were settled – 83 out of the 128 resolved suits. (Actions in another 11 were still pending at the time of the study.) The surprising fact is that monetary recovery occurred in only half these cases. Moreover, in 75 of the 83 cases, the attorneys got more than the shareholders. Apart from a few large settlements, the average sum paid out was very small relative to the firm's assets.

"One interpretation is that most fiduciary breaches involve minor harm to shareholders," suggested Professor Roberta Romano, who conducted the research. "But the settlement pattern is consistent with another, more troubling explanation, that a significant proportion of shareholder suits are without merit."

Certainly, the level of fees which the lawyers can cream off from shareholder suits has been particularly controversial of late. In the record-breaking Washington Public Power Supply System case, where a $750m settlement was reached in 1989 over a bond issue default six years earlier, the class action lawyers asked for $108m. The judge let them have $36m – out of the total $83m of legal fees. In another case, where there were multiple lawsuits, the courts effectively auctioned off the role of lead counsel to the lowest bidder.

"It's a mixed bag," says Mr Weiss, denying that the courts are clamping down on lawyers' fees in this area, and quickly stressing the financial risks which law firms carry when they are working on a contingency basis. But somehow, one suspects, corporate hearts are not bleeding.

Tate & Lyle close to taking control of Bundaberg

By Mark Westfield in Sydney

TATE & Lyle moved to the brink of taking control of Australian sugar miller Bundaberg Sugar when a second wave of acceptances yesterday pushed its holding to 45 per cent.

After 14 weeks of sometimes bitter exchanges between the two sides, the UK sweeteners group has managed to unlock nearly all of Bundaberg's capital with its A$325m (US$250m) bid over the past two days. On Wednesday, it held just 8.6 per cent.

The UK group, which is offering A$4.10 a share, had given Bundaberg shareholders a deadline of 5pm today to deliver 50 per cent, or it would walk away from the bid.

Bundaberg's adviser, Macquarie Bank, conceded that Tate & Lyle was assured of success and it would top 50 per cent by today's deadline.

The rush of acceptances began at Wednesday lunchtime when funds manager Bankers Trust accepted for its 7.7 per cent after earlier saying that A$4.10 was not enough.

That acceptance was quickly followed by the Commonwealth Bank Offices' Superannuation Corp, which tipped its 10.3 per cent into the bid.

Tate & Lyle adviser Mr Bill Beerworth said more than 1,400 shareholders had accepted the bid.

Two of Bundaberg's largest shareholders, the AMP Society (7.7 per cent) and National Provincial Life (7.4 per cent) had not accepted last night.

Mr Beerworth said Tate & Lyle would drop its 90 per cent acceptance condition once it achieved 50 per cent.

ANZ rejects share sale offer

AUSTRALIA'S ANZ banking group yesterday rejected an unsolicited offer by stockbroker BZW to place the bank's 5.6 per cent stake in retailer Coles Myer, writes Mark Westfield.

ANZ told the Australian Stock Exchange it had not given BZW or any other broker a mandate for the sale of its shareholding. It added that any other unsolicited offers would be rejected.

ANZ bought most of its holding in Coles Myer last year in a controversial purchase from the retail group's deputy chairman Mr Solomon Lew's Premier Investments Group, for A$225m (US$173m).

The bank has been under some pressure to sell the holding because, under Reserve Bank capital guidelines, investments by banks in industrial shares are not counted for capital purposes.

Coles Myer shares fell from A$11 to close yesterday at $10.75 as speculation grew about the placement.

Early this week, ANZ's chief executive, Mr Will Bailey, said the bank was restructuring and divesting itself of non-core assets.

Nedcor group completes re-grouping

NEDCOR, South Africa's third largest banking group which last April announced it was re-grouping its banking operations, said these had now been re-organised into five line divisions, Reuter reports from Johannesburg.

Mr Chris Liebenburg, chief executive, said the restructuring was part of a growth strategy built on fundamental goals such as client and market focus, specialisation and strong brand names.

"The new structure brings the group's banking units closer together, eliminates internal competition and duplication and will result in a more market-focused organisation," said Mr Richard Laubscher, chief executive officer of the banking unit.

The group, which has assets of R39.8bn ($13.8bn), listed the line operations as: Nedbank Corporate division; Nedbank International and Treasury division, responsible for international banking and the banking unit's treasury; Nedbank Commercial division, responsible for commercial and personal banking; the Perm mass market home loan division; and Nedfin, responsible for financing and other specialised services such as fleet card and fleet rental operations.

Perm, Nedbank and Nedfin retain their brand identities.

German long bonds hit by withholding tax rumours

By Simon London in London and Karen Zagor in New York

GERMAN government bonds fell heavily yesterday as the market, still vulnerable from poor regional inflation data on Wednesday, was rocked by speculation that the government could impose withholding tax on income from securities.

The benchmark 8⅜ per cent 10-year bund closed on a yield of 8.42 per cent, against 8.37 per cent on Wednesday. the September bund futures contract on the London International Financial Futures Exchange closed at 85.16, having opened at 85.40.

The Constitutional Court ruled that the government would have to increase taxation of interest income from securities. Mr Theo Waigel, finance minister, said in response to questions that he could not rule out a re-introduction of withholding tax.

This was interpreted by the market as meaning that a re-introduction of the tax, which was scrapped in 1989 after a disastrous six-month period, was high on the government's agenda.

In addition, the D-Mark was weak on the foreign exchange markets against the dollar. The US currency closed at around DM1.7940, up 1 pfennig on the day, as the Bundesbank left monetary conditions unchanged at yesterday's Council meeting.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	105.3133	+0.062	11.12	11.16	10.92
BELGIUM		10.000	08/00	103.9500	+0.300	9.33	9.30	9.14
CANADA *		9.750	06/01	97.8750	-0.350	10.12	9.97	9.60
DENMARK		9.000	11/00	98.3000	+0.125	9.26	9.24	9.06
FRANCE	BTAN	9.000	02/96	99.0108	+0.269	9.24	9.28	8.99
	OAT	9.500	01/01	102.4000	+0.540	9.09	9.18	8.95
GERMANY		8.375	05/01	99.8000	-0.220	8.40	8.31	8.26
ITALY		12.500	03/01	97.7800	+0.060	13.32	13.23	12.89
JAPAN	No 119	4.800	06/99	87.4095	-0.086	7.29	7.29	7.08
	No 129	6.400	03/00	97.6209	-0.053	6.84	6.80	6.66
NETHERLANDS		8.500	03/01	98.6800	-0.030	8.70	8.63	8.52
SPAIN		11.900	07/96	99.6800	-0.100	11.99	11.99	11.68
UK GILTS		10.000	11/96	97-26	-02/32	10.54	10.40	10.28
		10.000	02/01	96-13	+01/32	10.60	10.55	10.35
		9.000	10/08	89-25	+03/32	10.27	10.20	10.05
US TREASURY *		8.000	05/01	97-30	+07/32	8.31	8.28	8.06
		8.125	05/21	96-03	+10/32	8.49	8.47	8.28

London closing, *denotes New York morning session. Yields: Local market standard
Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ FRENCH government bonds rallied strongly, carrying through a recovery which began late on Wednesday.

The benchmark 9½ per cent 10-year government bond closed on a yield of 9.10 per cent, against 9.18 per cent on Wednesday. As the German bund market weakened, the yield spread over 10-year bunds narrowed to 70 basis points, having hovered at over 90 basis points for most of this week.

Bond market analysts said the rally in the French market had begun with a bout of technical buying, as firms looked to cover short positions ahead of the half year-end. However, short-covering was carried through into wider buying activity, including some switching out of the German market.

The French recovery spilled over onto other markets. For example, the Belgian government benchmark 9 per cent bond issue maturing 2001 traded yesterday down to a yield of 9.30 per cent from 9.35 per cent on Wednesday.

■ UK government cash bond prices were steady as the market settled down in the wake of Wednesday's auction of £1.5bn 10-year stock.

The benchmark 11¾ per cent gilt maturing 2003/2007 closed the day up just ⅛ from the opening level at 107$\frac{1}{16}$, where the yield is 10.61 per cent.

Long gilt futures benefited from switching out of a nervous German market. The September bund futures contract on Liffe opened at 89.13 and rose to a high of 89.29 before falling back to close almost unchanged on the day.

■ US Treasuries firmed slightly yesterday morning in thin, range-bound trading.

At mid-session the Treasury benchmark 30-year bond was ¼ higher at 96$\frac{1}{16}$, yielding 8.48 per cent, while the three-year note was up ⅛ to yield 7.36 per cent.

The Federal Reserve entered the open market to arrange four-day systems repurchase agreements when Fed Funds were changing hands at 5$\frac{13}{16}$ per cent. There was no policy meaning attached to the Fed's operation, and the perceived target for Fed Funds remains 5¾ per cent.

The bond market shrugged off the US personal income and spending data for May, although many economists said the figures pointed to economic upturn. Personal income rose by 0.5 per cent and personal spending increased 1.1 per cent in the month. The rise in personal income was in line with expectations, but the personal spending gain was above the 0.8 per cent most analysts had expected. Furthermore, real spending rose 0.9 per cent in the month.

However, May was an exceptionally hot month in the US, and some analysts said the consumption figure was artificially bolstered by spending on air conditioning.

■ JAPANESE government bonds continued to trade within a tight range, with no new factors to move the market. The benchmark government bond issue No 129 closed in Tokyo on a yield of 6.835, having opened at 6.82, and remained at around these levels in London.

Attention remains fixed on the foreign exchange markets. The yen remained firm against the dollar, trading at around Y138.5 despite the strength of the US currency against the D-Mark.

● BELGIUM could make a further state borrowing on the domestic market in the autumn, its third this year, Reuter reports from Brussels.

The Treasury said: "It would not be unreasonable to set another issue for later in the year."

It said this week's offer of an eight-year, 9 per cent domestic borrowing closed early after subscriptions totalled more than BFr53bn ($1.4bn). Belgium raised BFr126.5bn in a state borrowing in March.

If a further borrowing was made, the proceeds would be used to convert more debt into long-term maturities.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on June 27

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101⅝	102	+⅛	7.78
ALBERTA PROVINCE 9 3/8 95	600	103	103⅜		8.49
AUSTRIA 8 1/2 00	400	97⅞	98⅜		8.87
BANK OF TOKYO 8 3/8 96	100	98½	99⅛		8.76
BELGIUM 9 1/8 92	400	101⅝	102⅛	-⅛	7.63
BFCE 7 3/4 97	150	97⅞	98⅜	+⅛	8.25
BNP 8 5/8 94	300	101¼	101⅝		8.14
BP CAPITAL 9 5/8 93	150	102⅞	103⅛		7.88
CANADA 9 96	1000	102⅝	103		8.28
CARGO 9 1/4 96	650	99⅞	100⅛		9.30
CCCE 9 1/4 95	300	103⅛	103½	+⅛	8.21
COUNCIL EUROPE 8 96	100	98⅜	98⅞		8.43
CREDIT FONCIER 9 1/2 99	300	103⅛	103½		8.90
DENMARK 0 98	250	54	54½	-⅛	9.06
DENMARK 8 1/4 94	150	100⅝	101		8.00
ECSC 8 1/4 96	193	99⅝	100⅛		8.29
EEC 7 1/4 93	250	99⅝	100		7.46
EIB 7 3/4 96	250	97⅞	98⅜	+⅛	8.28
EIB 9 1/4 97	1000	102⅝	102⅞		8.78
ELEC DE FRANCE 9 98	200	101⅝	102	+⅛	8.66
EUROFIMA 9 1/4 96	100	101⅝	102⅛		8.76
EXPORT DEV CORP 9 1/2 98	150	103⅝	104	+⅛	8.78
FINLAND 7 7/8 97	200	96	96⅜	+⅛	8.79
FINNISH EXPORT 9 3/8 95	200	103⅛	103⅜		8.46
FORD MOTOR CREDIT 9 1/2 93	300	102⅜	102⅞	+⅛	8.29
GEN ELEC CAPITAL 9 3/8 96	300	103	103⅜		8.60
GMAC 9 1/8 96	200	100⅛	100⅝		9.07
HALIFAX 9 1/2 93	200	102⅜	102⅞	-⅛	8.22
IBM WORLD TRADE 7 5/8 93	150	99⅝	100⅛	+⅛	7.77
IND BK JAPAN FIN 7 7/8 97	200	95⅞	96⅛		8.80
INTER AMER DEV 7 5/8 96	200	96⅛	96⅝		8.53
ITALY 8 1/2 94	1500	101¼	101⅝	+⅛	8.03
JAPAN DEV BK 8 94	150	100⅛	100⅝		7.94
KANSAI ELEC PWR 10 96	350	104⅛	104⅝	+⅛	8.85
LTCB 8 5/8 93	150	101⅛	101⅝		7.85
NEW ZEALAND 8 93	100	100⅛	100⅝		7.85
NIPPON CRED BK 9 3/4 93	150	103⅛	103⅝		8.10
NIPPON TEL & TEL 9 3/8 95	200	103⅜	103⅞	-⅛	8.33
NORDIC INV BANK 9 93	200	102⅜	102⅞		7.61
ONTARIO HYDRO 11 5/8 94	200	107⅞	108⅜	-⅛	8.38
OSTER KONTROLLBANK 8 1/8 93	200	100⅞	101⅛		7.53
PETRO-CANADA 7 1/4 96	200	94⅞	95⅜		8.60
PRUDENTIAL RLTY SECS 0 99	365.216	50	50½	-⅛	9.62
QUEBEC HYDRO 9 3/4 98	150	102⅞	103⅛	+⅛	9.28
QUEBEC PROV 9 98	200	99⅞	99⅞	+⅛	9.14
SAINSBURY 9 1/8 96	150	101½	102	+⅛	8.74
SAS 10 99	200	99⅞	100⅛		10.12
SBAB 9 1/2 95	500	103½	103⅞	+⅛	8.41
STATE BK STH AUST 9 1/4 93	100	101⅝	102⅛	-⅛	8.08
SUMITOMO BK CAP MKT 9 3/8 93	150	102½	103		8.15
SWEDEN 8 1/8 94	150	100⅞	101¼		8.03
SWEDISH EXPORT 9 5/8 93	100	103⅛	103⅝		7.51
TOKYO METROPOLIS 8 1/4 96	200	99⅜	99⅞		8.44
WORLD BANK 8 3/8 99	1500	98⅜	98⅞	+⅛	8.79
WORLD BANK 8 3/4 97	1500	101⅝	101⅞		8.56
XEROX CORPN 8 3/8 96	100	95⅞	96⅜	+⅛	9.45

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
DEUTSCHE BK FIN 5 5/8 96	750	89⅛	89⅝	+⅛	8.24
DEUTSCHE FINANCE 7 1/2 95	1000	97⅝	97⅞		8.27
EEC 5 3/8 93	300	95⅛	95⅝	+1⅛	8.81
EIB 5 3/4 98	400	86⅛	86⅝	+⅛	8.53
EIB 6 7/8 95	300	94	94	-⅛	8.55
EUROFIMA 6 1/4 98	400	87⅝	87⅞	-⅛	8.66
FERRO DEL STAT 5 3/8 93	500	95	95		8.93
IND BK JAPAN FIN 5 5/8 96	200	88⅛	88⅝	+⅛	8.73
IND DEV BK INDIA 6 3/8 94	200	88	88	-⅛	10.65
INTER AMER DEV 7 1/4 99	300	93⅛	93⅝	+⅛	8.44
LUFTHANSA INT FIN 5 7/8 98	500	86⅜	86⅞		8.48
MET EST & PROP INTL 7 99	150	87	87		9.40
NAT BK HUNGARY 8 96	200	93	93	+1	9.72
QUEBEC HYDRO 6 3/4 99	300	89⅛	89⅝		8.73
SWEDEN 6 1/8 98	300	88⅛	88½	-⅛	8.43
VENEZUELA 8 1/4 93	100	96⅛	96⅝	+⅛	9.80
WORLD BANK 0 15	2000	16	16		7.77
WORLD BANK 5 3/4 96	300	87⅝	87⅞	-2⅛	9.15
WORLD BANK 7 1/8 95	500	95	95⅜	-1⅛	8.80

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	95		+½	6.46
AUSTRIA 4 5/8 98	100	90⅛	91	-⅛	6.47
CHUBU/TSUYA 7 3/4 95	50	101⅛	102	+½	7.31
COUNCIL EUROPE 4 3/4 98	250	90	90½	+½	6.66
EEC 5 1/2 00	100	92	92½		6.66
EIB 5 3/4 93	100	98	98⅛	+⅛	6.68
ELEC DE FRANCE 7 1/4 06	100	104½	105½		6.75
FINLAND 5 3/8 95	150	96	96⅜		6.45
GENERAL MOTORS 7 1/2 95	100	101¼	102		7.10
JAPAN DEV BK 5 1/2 94	100	97	97⅜		6.77
NEW ZEALAND 4 7/8 99	200	88⅛	88⅝	-⅛	6.86
QUEBEC HYDRO 5 08	100	79	81	-1½	7.29
SKANDINAVISKA ENSK 6 1/2 95	100	99½	100		6.65
WORLD BANK 5 03	150	86⅛	87½		6.66
WORLD BANK 7 1/4 92	100	100⅛	101		6.48

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 96	30000	94⅛	94⅝		7.22
CANADA 4 3/8 92	80000	97	97⅛		7.62
CREDIT FONCIER 5 1/4 94	20000	93⅞	94⅛		7.33
DENMARK 7 95	40000	99½	99⅞		7.14
EIB 4 5/8 96	40000	93⅛	93⅜		7.22
GENERAL ELECTRIC 6 3/4 95	35000	96⅞	97⅛		7.69
INTER AMER DEV 7 1/4 00	30000	101	101⅛		7.09
ITALY 5 3/4 92	150000	99⅛	99⅜		7.12
KANSAI ELEC PWR 4 5/8 94	60000	93⅛	93⅝		7.39
NIPPON TEL & TEL 5 7/8 96	50000	95	95⅜		7.04
NORWAY 5 1/8 95	50000	93⅛	93⅝		7.10
SWEDEN 5 5/8 95	20000	94⅛	95⅛		7.13
WORLD BANK 6 3/4 00	50000	98⅛	98⅝		7.00

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94⅛	95⅛		9.23
KREDIETCORP 7 93 LFr	1000	96	97		9.15
WORLD BANK 8 96 LFr	1000	97⅛	98½	+⅛	8.64
AMRO BANK 6 1/4 92 Fl	150	96⅛	97⅛		9.50
RABOBANK 5 3/4 93 Fl	150	94⅛	95⅛		9.47
ALBERTA PROVINCE 10 92 CS	500	100⅛	100⅝		9.71
BCE INC 9 5/8 93 CS	300	98⅞	99⅜	+⅛	10.29
BELL CANADA 10 5/8 99 CS	150	97⅛	97⅝	-⅛	11.15
BRITISH COLUMBIA 9 1/4 93 CS	150	98⅛	99		10.20
EIB 10 1/8 98 CS	130	98⅞	99⅜	-⅛	10.45
FORD CREDIT CANADA 10 94 CS	100	97⅝	98⅛		10.92
GENERAL ELECT CAP 10 1/4 93 CS	175	100⅛	100⅝	+⅛	10.01
MONTREAL TRUSTCO 8 1/2 92 CS	100	98⅛	99⅛		10.51
ONTARIO HYDRO 10 7/8 99 CS	500	99⅛	99⅝	-⅛	11.00
QUEBEC PROV 10 1/2 98 CS	200	96⅜	97⅛	-⅛	11.11
ROYAL TRUSTCO 10 1/4 93 CS	100	99	99⅛	+⅛	10.83
SWEDEN 9 3/4 93 CS	250	99⅛	100⅛		9.87
BELGIUM 9 1/8 96 Ecu	1250	99⅞	100	+⅛	9.14
CNT 7 3/8 93 Ecu	250	95⅜	96⅛	+⅛	9.89
CREDIT LYONNAIS 9 96 Ecu	125	96⅛	98⅛	-⅛	9.83
DENMARK 7 5/8 96 Ecu	250	92⅛	93⅛	+⅛	9.73
EEC 7 5/8 94 Ecu	200	96⅛	96⅝	+⅛	9.30
EIB 10 97 Ecu	1125	104⅛	104⅝	+⅛	9.01
ITALY 10 3/4 00 Ecu	1000	108⅛	108⅝	+⅛	9.34
UNITED KINGDOM 9 1/8 01 Ecu	2750	99⅞	99⅞	+⅛	9.17
BMW FINANCE 14 1/2 92 AS	100	101⅞	102⅛	+⅛	11.80
COUNCIL EUROPE 13 93 AS	50	101	102	-⅛	12.19
EKSPORTFINANS 12 3/8 95 AS	75	102⅞	103⅜	+⅛	11.41
FORD CRED AUST 13 93 AS	50	100⅛	101⅛	-⅛	12.80
ICI 15 1/2 92 AS	100	103	103⅜	-⅛	11.83
MCDONALDS CANADA 15 95 AS	100	108½	109		12.19
NAT AUSTRALIA BANK 14 3/4 94 AS	150	105⅞	106⅛		11.93
STATE BK NSW 14 1/4 99 AS	100	108	108⅜	+⅛	12.60
VOLKSWAGEN INTL 15 94 AS	100	106⅜	107⅛	+⅛	12.93
ABBEY NATL TREAS 13 3/8 95 £	100	105⅛	105⅜		11.44
BARCLAYS JERSEY 9 1/2 93 £	250	97⅛	97⅜		11.15
BRITISH GAS 12 3/4 95 £	300	104⅛	104⅝	-⅛	11.21
DEUTSCHE BK FIN 11 94 £	225	100	100⅜	-⅛	10.94
EIB 10 97 £	386.5	95½	95⅝		11.09
FORD CREDIT FUNDING 9 5/8 93 £	50	96⅜	96⅞	+⅛	11.95
INTER AMER DEV 11 3/8 95 £	75	101⅛	101⅝		10.91
ITALY 10 1/2 14 £	400	91⅝	92	+⅛	11.54
LAND SECS 9 1/2 07 £	200	79⅝	80	+⅛	12.50
LEEDS PERMANENT 9 1/4 93 £	50	96⅛	96⅝	-⅛	11.44
NORWAY 10 1/2 94 £	200	99	99⅜	-⅛	10.90
ROLLS-ROYCE 9 5/8 93 £	150	96½	97		11.67
SAINSBURY 10 7/8 93 £	100	99⅜	99⅞		11.23
SKANDINAVISKA ENSK 13 1/8 95 £	100	104½	105		11.50
WORLD BANK 11 1/4 95 £	100	101	101½	-⅛	10.90
ABBEY NATIONAL 0 96 NZS	100	57⅜	58⅜		11.03
TELECOM NZ O/S FIN 13 1/8 93 NZS	75	104⅛	105⅛		10.82
AIDC 7 7/8 93 FFr	600	96⅛	96½	+⅛	9.77
CREDIT LYONNAIS 10 95 FFr	3200	101⅛	101⅝	+⅛	9.60
EURATOM 7 5/8 98 FFr	500	91⅞	92⅜	+½	9.25

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	99.98	100.08	6.5156
ALLIANCE & LEICS 0.08 94 £	300	99.48	99.58	11.9550
BANCO ROMA 0.03 01	200	93.00	94.00	7.9363
BANCO SANTO SPIRITO 93	200	99.54	99.68	6.5000
BELGIUM 1/16 97 DM	500	99.95	100.05	9.1250
BFCE -0.02 96	350	99.80	99.90	6.1850
BNP 05	300	95.88	96.88	6.4375
BRITANNIA 1/10 96 £	150	99.18	99.30	11.9750
CCCE 06 ECU	200	99.79	99.89	9.5938
CITIZENS FED 0.15 96	100	99.45	99.85	7.0250
COMMERZBK O/S FIN 93	200	99.93	100.03	6.5625
DENMARK -1/8 96	1000	99.59	99.69	6.5938
DRESDNER FINANCE 1/32 98 DM	1000	99.91	99.98	9.2656
ELEC DE FRANCE 1/8 99	400	100.40	100.75	7.0000
FERRO DEL STAT 94	200	100.52	100.77	6.8750
HALIFAX 1/10 94 £	200	99.80	99.89	11.7250
HILL SAMUEL 1/4 PERP	75	82.50	85.50	6.4375
MITSUI FIN ASIA 1/8 96	100	99.69	99.79	7.0000
MORGAN (JP) 1/4 97	250	98.63	99.13	6.2500
NAT WEST FIN 3/16 05	400	93.00	94.00	6.5000
NEW ZEALAND 93	500	99.70	99.80	6.5000
QUEBEC PROV 01	300	96.28	96.53	6.1250
RENFE 98	500	99.87	99.97	6.0625
SOCIETE GENERALE 96	300	99.09	99.19	6.3125
STATE BK VICTORIA 0.05 99	125	98.50	98.75	6.4875
UNITED KINGDOM -1/8 96	4000	100.00	100.03	6.1875

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.86	114⅛	115⅛	+14.25
ASDA-MFI 4 3/4 02 £	100	1.64	117⅛	118⅛	+96.01
BURTON GROUP 4 3/4 01 £	110	3.15	118	119⅛	
EASTMAN KODAK 6 3/8 01	308	50.67	95⅛	96⅛	+21.51
GOLD KALGOORLIE 7 1/2 00	65	1.0554	69⅛	70⅛	+49.28
GOODYEAR TIRE 6 7/8 03	150	80⅛	71⅛	72⅛	+73.22
GRACE (WR) 6 1/4 02	150	42⅛	88⅛	89⅛	+18.05
HANSON 9 1/2 06 £	500	2.5875	97⅛	98⅛	+25.04
HAWLEY 6 02 PREF	400	19.1	84	86⅛	
HILLSDOWN 4 1/2 02 £	150	4.16	109⅛	110⅛	
INTL PAPER 5 3/4 02	200	68⅛	106⅛	107⅛	+1.97
LAND SECS 6 3/4 02 £	84	6.72	82⅛	83⅛	+13.96
MITSUBISHI BK 3 3/4 02	300	2727.1	102	103⅛	-2.26
OGDEN 6 02	85	39.077	69⅛	70⅛	+37.64
PACIFIC DUNLOP 6 3/4 97	75	3.749	105	106	-0.28
TEXAS INSTRUMENTS 2 3/4 02	300	82⅛	83	84	
THORN EMI 5 3/4 04 £	109	7.45	111⅛	112⅛	+13.85

* No information available - previous day's price
$ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Salomon names new European finance chief

By Tracy Corrigan

MR WILLIAM H. Strong (pictured) has been appointed head of European investment banking at Salomon Brothers. He replaces Mr Ronald Freeman, who left to join the European Bank for Reconstruction and Development.

Mr Strong's responsibilities cover all European corporate finance activities, which include advisory work, mergers and acquisitions, capital raising and real estate. He will also spearhead the firm's expansion in eastern Europe. It is possible that Mr Freeman, in his new role as head of merchant banking at the EBRD,

may be a client of his former colleague.

Salomon became the first Wall Street firm to open an office in east Berlin last year, and is one of the investment banks acting as an adviser to several eastern European governments, both on privatisation and on the setting up of capital markets.

The appointment of another "rainmaker" – or deal-getter – is likely to be interpreted as a sign of Salomon's commitment to building up its M&A business, which, historically, has tended to play second fiddle to its much-vaunted trading prowess.

Salomon's investment banking activities, along with other key areas such as derivative products, are in a phase of expansion.

In mergers and acquisitions, the firm plans to "focus on cross-border assignments", Mr Strong says. "We don't expect to out-guess domestic banks in local markets. I hope to form close relationships and alliances with local firms."

Figures compiled by FT Mergers & Acquisitions International magazine show that Salomon completed 33 cross-border deals with a combined value of more than $12bn last year, putting it in the top group of advisers.

Mr Strong plans to build up Salomon's team of industrial specialists, whose role is "pro-active".

He sees his role as "making sure that our European clients have access to every professional" in the organisation.

Mr Strong reports to Mr Jim Massey, head of Salomon International in London, and to two vice-chairmen in New York.

Salomon has 900 staff in Europe, most of them in London where trading operations are concentrated. There are also offices in Frankfurt, Zurich, Paris and Madrid, as well as Berlin.

Kleinwort sells futures arm to NMB affiliate

KLEINWORT Benson Group has reached an agreement in principal to sell Virginia Trading, its Chicago-based financial futures broking subsidiary, to Quantum Services, which is affiliated with NMB Bank, writes Tracy Corrigan.

The business, bought in 1985, has been profitable but was "not a key part of the group structure," the company said. When approached by Quantum, it decided to sell the business, which holds seats on several US derivatives exchanges.

Kleinwort will still use the futures markets for client business and on its own account, but will not hold seats.

The firm will retain Fenchurch Capital Management, the subsidiary of Virginia Trading Corporation which conducts its US Treasury bond arbitrage fund management activities.

Kleinwort's remaining US operations are based in New York, where it is involved in interest swaps business, investment and commercial banking, and bullion (through Sharps Pixley).

● THE Australian Stock Exchange is to offer put and call options over the Twenty Leaders Index future contract in early July, subject to approval by the Australian Securities Commission, Reuter reports from Sydney.

The TLI futures options will be offered through the exchange subsidiary, the Australian Financial Futures Market.

Hydro-Quebec deal sells well despite weak market

By Tracy Corrigan

HYDRO-QUEBEC'S global offering of C$1bn registered bonds met firm demand yesterday in North America, despite rather poor market conditions, but European investors were less enthusiastic. However, the deal is expected to be fully sold when it is officially priced today.

Hydro-Quebec, the Canadian utility, decided to launch its global deal yesterday, despite a ¼ point sell-off in the Canadian market overnight, after a C$900m Canadian government bond auction was announced.

The weaker bond market, coupled with generally lacklustre demand, fuelled concern that such a large issue would be hard to place. However, in the event, the weaker bond market made absolute yields more attractive to investors.

Lead underwriter Merrill Lynch had already delayed the issue from earlier in the week due to unfavourable market conditions, but was keen to complete the offering before the end of the week. This was because holidays in the US and Canada next week would have hampered distribution.

An official at Merrill Lynch estimated that around 45 per cent of the issue would be placed in Canada, about 25 per cent in the US, and 15 per cent each in Europe and Japan.

Demand from US investors was underpinned by the recent widening in the yield differential between the US and Canadian bond markets.

Ten-year US Treasuries currently yield about 180 basis points less than Canadian government bonds. That margin has widened about 20 basis points in the last two weeks, and investors now feel there is room for it to tighten in again.

INTERNATIONAL BONDS

The indicated pricing of the deal was considered fair, at 85 to 86 basis points above the 10-year government bond. This compares with a recent Province of Quebec domestic issue bid at 86 basis points over the curve, and a Hydro-Quebec 10-year Eurobond bid at about 80 basis points off.

British Gas launched a L150bn issue, which met steady demand, and also secured cheap funding for the company. The deal was said to be swapped into floating-rate dollars at a very attractive level of around 40 basis points below the London interbank offered rate.

In the equity warrants sector, Sankyo Aluminium and Toa Steel both tapped the market, raising a total of $360m. Sankyo's four-year deal, with a 4 per cent coupon, and Toa Steel, which has a 5 per cent coupon over five years, both traded at 99¼ bid, just below their par issue price.

Elsewhere, Britannia Building Society completed a £25m placement of floating-rate notes due 2006.

● HOLDERS of £50m Greenall Whitely bonds have agreed to exchange their 10 per cent stock due 2014 for new 11¼ per cent bonds, allowing the borrower to reap tax benefits from buying back bonds trading below par. However, the institutional investors holding the bonds were compensated for the buy-back, arranged by NatWest Capital Markets, by a 20 basis point yield enhancement.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Sankyo Aluminium(a)♦	200	4	100	1995	2¼/1½	Daiwa Europe
Toa Steel(a)♦	160	5	100	1996	2¼/1½	Nomura Int.
ECUs						
Swedish Export Credit(c)†	100	9¼	101 1/16	1994	1⅜/1.275	Yamaichi Int.
ASLK-GCER Ifico(a)†	50	10	101¾	1993	1⅛/⅝	Mitsubishi Fin.Int.
LIRE						
British Gas Int.Fin.BV(a)†	150bn	12	101½	1996	1⅞/1¼	Bca.D'America d'Italia
GUILDERS						
IADB(a)†	250	8⅞	100.95	1998	1/⅝	ABN Amro
D-MARKS						
Sankyo Aluminium(a)♦	120	4	100	1995	2¼/1½	Daiwa Europe GmbH
Ohtsu Tire & Rubber(a)♦	75	4	100	1995	2¼/1½	Nomura Bk GmbH
SWISS FRANCS						
Matsumoto Keyoshe Corp(b)★★§	50	4	100	1995	-	SBC

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Put option 31/3/94 at 107% to yield 6.42%. c) Fungible with existing Ecu250m. Non-callable.

Bank of Japan to end 'window guidance'

By Robert Thomson
In Tokyo

THE BANK of Japan will no longer set formal guidelines on lending growth by Japanese commercial banks, which, in theory, will now have more control over their lending policies.

Officials at the central bank said yesterday that the quarterly advisory on lending, known as "window guidance," is not necessary because of the successful deregulation of Japanese financial markets and because monetary discipline has improved at the banks.

Japanese banks have cut lending in an attempt to improve their capital adequacy ratios, and they estimate that lending growth will fall 5 per cent, compared with a year earlier, in the July to September quarter.

There was widespread scepticism in Tokyo at the suggestion that the Bank of Japan would never again provide "administrative guidance" to the banks, as an improvement in financial market conditions may encourage the banks to increase lending beyond boundaries acceptable to the central bank.

The Bank of Japan made clear that the announcement should not be interpreted as a relaxation of its tight monetary policy, and that the bank would naturally continue to use official interest rates to influence lending trends.

Tokyo has been under pressure from Washington to make the financial markets more transparent and to end controls such as "window guidance," and Japan will be able to cite the change as a sign of growing financial maturity.

But the Finance Ministry still regularly provides the banks with administrative guidance and, for example, has demanded in recent months that they reduce lending to property developers and stock investment companies.

The central bank is also believed to have been prompted to make the symbolic announcement by domestic political controversy over the difficulty now faced by some small companies in obtaining new funds.

Subtle synergies at Merck Finck

Katharine Campbell on Barclays' approach to its German acquisition

MR Giles Davison, Barclays' man on the management team at Merck Finck, the Munich-based bank that Barclays bank acquired last September, is to be found in his office every day before 7.30am making the most of his new assignment. He likens his job to savouring a fine claret.

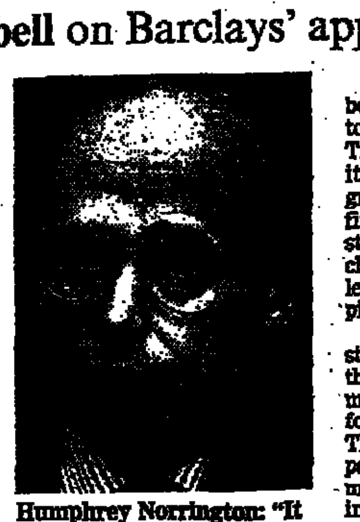
His superiors at Barclays' head office in London, however, appear so aware of the subtle chemistry of their recent purchase that they fear the current restructuring process – aired publicly for the first time this week – may shake things up too much.

"It is a fine balancing act," acknowledges Mr Humphrey Norrington, vice-chairman and deputy managing director of Barclays, referring to the task of melding two sharply contrasting cultures.

Headed for 110 years – until 1980 – by just two members of one of Germany's wealthiest families, the von Fincks, the bank had built an illustrious customer base on a formidable reputation for exclusivity.

Now Barclays has to win these wealthy individuals – many of whom were instinctively horrified at the notion of entrusting their money to the English – from the most conservative southerly corner of Germany.

There was an early upset when Mr Adolf Kracht, who had effectively run the bank for a decade under August von Finck, left to join the Gerling insurance group. He was in high dudgeon at being kept in the dark about the sale.



Humphrey Norrington: "It is a fine balancing act"

When all attempts to retain Mr Kracht failed the UK bank then listened when von Finck's advised them to engage his cousin, Mr Wilhelm Winterstein, as speaker of the board and symbol of the continuity for which the new owners strove.

Mr Norrington says Mr Kracht, as a member of the so-called partners' committee, which meets quarterly, continues to be "very open and supportive".

Nine months on, Mr Davison notes that the loss of private client business has consequently amounted to "peanuts". The odd corporate customer may have downgraded them from house bank status, he admits, but even these have not stopped doing business. And staff retention, Mr Kracht aside, has been high.

Other private bankers may be critical of Barclays' decision to put their own man in – Trinkaus & Burckhardt, majority-owned by Midland sets great store by "not having griffins (the Midland emblem) stamped all over it" – but Barclays says so far its main problem is the reverse one of stopping Mr Davison "going bush".

The central plank of the strategy has to been to retain the Merck Finck name for Germany, with the Barclays' logo for "international" clients. This leaves Barclays, principally in Frankfurt, doing commercial banking business, including treasury management and structured finance; BZW in Frankfurt being developed as a nodal point for international asset management; and Merck Finck managing German private and institutional money, catering to the banking needs of medium-sized, or *Mittelstand*, corporates, and engaging in German investment banking.

There has been some rationalisation. Barclays' *Mittelstand* business is now under Merck Finck's wing. A number of Barclays' locations around Germany are being merged into Merck Finck. And there will be more during the year as the BZW and Merck Finck derivatives and stock exchange dealing teams are combined.

Then, some synergies are relatively easy to achieve. The extra placing power of the combined group helps new issues originated by both operations. Barclays has also happened upon close links between Merck Finck and its more recent French acquisition, L'Européenne de Banque. This link is already helping to tie together French and German business – an area that has previously not combined well and where the German banks have notable difficulties.

The nut that Barclays has yet to crack is how to retain the Merck Finck ethos and clientele while putting the fruits of the wider association to work.

"They were not at all advanced in the computer-based approach to asset management," said Mr Norrington. Indeed, despite attracting custodial funds of nearly DM15bn ($8.4bn), the bank offered only the most superficial advice on non-German investments. But then, that suited most of its customers.

Due to the enforced secrecy that enveloped the deal, Barclays bought Merck Finck almost blind. It turned out, according to Mr Norrington, to be "even more safe than we ever thought possible". While 1991 will not be an ideal year to show hard cash returns from the synergy, it has not been a bad year to bed down a new relationship.

Mr Davison hopes eventually to turn Merck Finck into Germany's leading private bank, with Barclays as the leading European bank in Germany.

The claret is being sipped gently, but some bold gulps will eventually be needed if these goals are to be attained.

Finland rethinks foreign ownership rules

A GOVERNMENT-appointed committee has proposed scrapping the distinction between free and restricted shares and limits on foreign ownership of Finnish companies and property, Reuter reports from Helsinki.

The recommendations, if implemented, would free foreigners to buy Finnish companies, the Trade and Industry Ministry said. Until now, official permission has been needed in most cases.

The distinction between free shares, which foreigners may own, and restricted shares, which may only be owned by Finns, should be scrapped, the committee proposed.

Finnish companies have, by law, been able to make all their shares free. However, most include restrictions of 20 per cent in their articles of association. Some have raised foreign ownership to 40 per cent after application for official permission.

Many free shares trade on the Helsinki Stock Exchange at high premiums over the restricted shares.

The committee proposed scrapping limits on property purchases which, until now, have also required permission. This has been granted only if a foreigner needed property for business purposes. Foreigners had not been permitted to buy forests.

A proposed new law would require the purchaser only to inform the ministry if a third of the voting rights of a company with at least 200 employees or a balance sheet or net sales of FM500m ($118.2m) passed into foreign ownership.

The ministry could refer the matter to the government, but it could only block the acquisition if vital Finnish interests were endangered. This would happen only in exceptional cases, the ministry said.

The committee said it based its recommendations on the fact there was no longer any need to limit foreign ownership.

It said for the sake of the economy, it was important that companies operating in Finland, or wishing to, should be able to make their investment decisions on economic grounds without ownership limits.

On the Helsinki bourse, free shares fell sharply on news of the government plans. The HEX general index fell 1.48 per cent and the free share index fell 2.53 per cent.

Sweden and US in securities agreement

THE SWEDISH Bank Inspection Board and the US Securities and Exchange Commission yesterday announced an agreement designed to protect investors in the US and Sweden by ensuring the efficiency and integrity of both securities markets, writes *Robert Taylor in Stockholm.*

The SEC and BIB are committed to assisting each other "in obtaining information for use in investigating and prosecuting those who would abuse the integrity of their respective securities markets".

Over the past 10 years, the lifting of legal restrictions on capital movements through deregulation has meant a large increase in capital flows between the two countries.

Transactions in Swedish securities attributable to the US rose from $499m in 1980 to $19.624bn last year, while transactions in US securities attributable to Sweden increased from $1.23bn in 1980 to $65.94bn last year.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday June 27 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed Jun 26 Index No.	Tue Jun 25 Index No.	Mon Jun 24 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (186)	807.25	+0.5	11.26	5.97	10.92	17.53	803.07	813.86	814.54	896.27
2	Building Materials (24)	1027.19	+0.5	10.09	6.04	12.37	28.15	1021.82	1038.43	1036.80	1148.08
3	Contracting, Construction (31)	1164.33	+0.1	9.85	6.75	13.36	31.53	1162.65	1204.18	1231.24	1474.22
4	Electricals (10)	2293.76	-0.8	11.45	5.84	11.12	61.85	2312.39	2344.89	2330.76	2547.32
5	Electronics (25)	1725.53	+1.1	9.02	5.21	14.75	10.00	1706.49	1719.30	1714.14	1792.03
6	Engineering-Aerospace (8)	422.36	+0.9	16.52	5.93	7.28	10.83	418.66	424.17	422.82	477.50
7	Engineering-General (47)	437.35	+0.2	12.65	5.85	9.57	9.64	436.32	436.58	436.46	498.66
8	Metals and Metal Forming (8)	436.43	+0.4	21.02	7.92	5.83	3.76	434.85	444.24	446.56	496.90
9	Motors (13)	318.08	+0.3	12.47	7.63	9.45	9.98	317.00	320.39	320.14	377.95
10	Other Industrial Materials (20)	1499.81	+0.7	9.35	5.35	12.58	33.45	1489.43	1505.90	1504.65	1614.70
21	CONSUMER GROUP (188)	1437.76	+0.5	8.23	3.79	14.94	22.39	1430.70	1447.48	1444.32	1311.11
22	Brewers and Distillers (22)	1759.54	+0.3	8.83	3.75	13.79	27.30	1753.76	1776.99	1766.97	1611.77
25	Food Manufacturing (20)	1149.68	+0.5	9.98	4.31	12.35	22.69	1143.41	1153.38	1152.92	1118.76
26	Food Retailing (16)	2598.19	+0.8	8.51	3.22	15.40	39.42	2577.89	2590.01	2596.20	2525.24
27	Health and Household (21)	3494.50	+0.6	5.48	2.46	20.84	30.21	3473.83	3518.50	3487.35	2543.81
29	Hotels and Leisure (23)	1245.91	+0.8	10.51	5.56	11.29	23.85	1235.71	1250.53	1263.36	1512.65
30	Media (26)	1374.11	+0.1	9.36	5.12	13.56	29.60	1372.67	1385.21	1383.29	0.00
31	Packaging, Paper & Printing (17)	669.70	+0.2	8.30	4.93	14.58	14.33	668.37	680.12	682.25	607.99
34	Stores (33)	871.98	+0.3	8.86	4.22	14.76	15.89	869.79	882.84	882.46	816.15
35	Textiles (10)	534.87	+1.8	9.92	5.84	12.41	11.43	525.38	535.77	548.68	502.88
40	OTHER GROUPS (107)	1197.48	+0.8	10.10	5.36	12.15	16.87	1188.20	1194.72	1198.21	1198.81
41	Business Services (12)	1245.57	+0.5	9.29	5.23	13.16	13.23	1239.67	1251.87	1256.67	0.00
42	Chemicals (21)	1371.75	+0.5	8.24	5.25	13.67	32.35	1364.67	1375.08	1374.07	1284.51
43	Conglomerates (10)	1400.63	+1.3	10.88	7.41	11.10	31.93	1382.79	1388.54	1416.56	1690.01
44	Transport (13)	2168.92	+0.3	8.48	4.86	14.69	38.36	2162.23	2172.69	2180.86	2319.09
45	Electricity (14)	1168.21	+0.1	12.79	5.71	9.93	0.00	1166.81	1165.72	1168.63	0.00
46	Telephone Networks (4)	1396.37	+0.9	10.64	4.36	12.30	5.58	1384.33	1401.09	1406.40	1228.80
47	Water (10)	2262.87	+0.2	18.24	6.80	6.05	39.69	2258.06	2266.88	2237.67	1959.23
48	Miscellaneous (23)	1949.82	+1.6	5.95	4.95	21.57	42.19	1919.67	1912.66	1905.54	1821.00
49	INDUSTRIAL GROUP (481)	1208.43	+0.6	9.42	4.72	13.04	19.68	1201.34	1213.44	1213.48	1185.50
51	Oil & Gas (19)	2350.82	+0.2	11.55	5.82	11.39	50.59	2345.54	2366.20	2364.44	2281.06
59	500 SHARE INDEX (500)	1305.37	+0.5	9.70	4.86	12.80	22.18	1298.32	1311.18	1311.09	1277.92
61	FINANCIAL GROUP (97)	773.05	+0.3	–	6.17	–	20.54	770.99	777.97	778.42	803.23
62	Banks (9)	866.00	+0.5	6.92	6.39	21.86	22.63	861.87	865.69	863.38	839.27
65	Insurance (Life) (7)	1438.99	-0.1	–	5.75	–	41.64	1440.33	1456.44	1464.88	1478.27
66	Insurance (Composite) (6)	661.17	+0.2	–	6.63	–	20.23	659.80	673.48	675.10	702.66
67	Insurance (Brokers) (8)	1129.47	+2.0	6.91	6.00	18.77	29.60	1107.55	1109.43	1107.91	1014.87
68	Merchant Banks (7)	413.89	....	–	5.07	–	10.87	414.13	414.69	416.90	438.73
69	Property (40)	893.47	-0.3	6.97	5.40	19.79	18.80	896.44	907.82	907.82	1093.68
70	Other Financial (20)	261.79	+0.1	9.95	7.20	12.48	7.07	261.43	261.90	263.81	298.25
71	Investment Trusts (70)	1177.14	+0.6	–	3.58	–	18.66	1169.62	1187.46	1196.61	1218.98
99	ALL-SHARE INDEX (667)	1176.68	+0.5	–	5.00	–	21.47	1170.72	1182.36	1182.63	1163.73

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 26	Jun 25	Jun 24	Jun 21	Jun 20	Year ago
FT-SE 100 SHARE INDEX♦	2452.5	+15.2	2454.4	2441.1	2437.3	2461.2	2458.3	2487.5	2479.9	2355.7

FIXED INTEREST

	PRICE INDICES	Thu Jun 27	Day's change %	Wed Jun 26	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (29)	120.42	....	120.67	1.59	6.06
2	5-15 years (27)	128.70	+0.06	128.62	2.18	6.73
3	Over 15 years (9)	134.45	+0.09	134.33	1.88	6.44
4	Irredeemables (6)	147.34	+0.03	147.30	1.08	7.34
5	All stocks (71)	128.23	+0.04	128.27	1.96	6.57
	Index-Linked					
6	Up to 5 years (1)	158.94	....	158.93	0.40	2.72
7	Over 5 years (10)	144.93	-0.04	144.99	0.69	2.22
8	All stocks (11)	145.90	-0.04	145.95	0.68	2.23
9	Debs & Loans (56)	109.32	+0.03	109.29	2.29	5.03

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jun 27	Wed Jun 26	Year ago (approx.)
	British Government				
1	Low	5 years	9.20	9.21	10.63
2	Coupons	15 years	10.19	10.18	10.62
3	(0%-7¾%)	20 years	10.19	10.18	10.62
4	Medium	5 years	10.57	10.56	12.01
5	Coupons	15 years	10.44	10.45	11.09
6	(8%-10¾%)	20 years	10.34	10.36	10.87
7	High	5 years	10.73	10.73	12.10
8	Coupons	15 years	10.60	10.61	11.33
9	(11%-)	20 years	10.47	10.48	11.10
10	Irredeemables		10.35	10.35	10.65
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	4.40	4.39	5.29
12	Inflation rate 5%	Over 5 yrs	4.35	4.35	4.21
13	Inflation rate 10%	Up to 5 yrs	3.47	3.46	4.19
14	Inflation rate 10%	Over 5 yrs	4.16	4.15	4.03
15	Debs &	5 years	11.89	11.89	13.92
16	Loans	15 years	11.68	11.68	12.87
17		25 years	11.50	11.50	12.86

♦Opening index 2442.7; 9 am 2443.8; 10 am 2447.9; 11 am 2452.4; Noon 2450.5; 1 pm 2451.0; 2 pm 2450.3; 2.30 pm 2449.7; 3 pm 2450.0; 4.10 pm 2453.1; (a) 3.50pm (b) 8.41am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	23	30	31
Corporations, Dominion and Foreign Bonds	6	1	13
Industrials	246	333	942
Financial and Properties	99	135	510
Oils	19	15	55
Plantations	2	0	8
Mines	28	37	96
Others	40	57	67
Totals	463	608	1,722

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]											
–	F.P.	–	½	½	Gaelic Rel. Wrnts.	½		–	–	–	–
†	F.P.	–	41	27	Globe Petroleum	33	-1	–	–	–	–
Ir230	F.P.	–	245	205	Greencore Ir£1	213		u06%	5.9	1.9	9.0
385	F.P.	–	335	272	Manchester United 10p	286	+5	–	–	–	–
†	F.P.	–	908	691	Manpower Inc. 1c	883		–	–	–	–
125	F.P.	–	127	101	Mirror Grp. Newspapers	103		R6.55	1.7	8.5	9.3
100	F.P.	–	113	100	Moorgate Smaller Co's.	109		N4.13	–	5.0	–
35	F.P.	–	39	36	Do. Warrants	36½		–	–	–	–
240	100	–	124½	110	Scot Hydro-Elect. 50p	110½		R9.13	1.9	11.0	5.9
240	100	–	119½	102½	Scottish Power 50p	104		L9.2	u2.1	11.8	4.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
‡	F.P.	–	107p	106p	Brockhampton N/V 9½pc Rd Prf 1996 £1	106p	
100	F.P.	–	110¼	98¾	Burmah Cap (Jersey) 9½pc Cnv Bds 2006	100¾	+½
100	F.P.	–	100	97	EE Finance 8½pc Gtd. Exch. Bds. 2006	98	+1
100p	Nil	–	4½pm	2½pm	Queens Moat Houses 7½pc Cv Rd Pf	3pm	-½
100	F.P.	–	103¼	96¼	RMC Capital 8¼pc Cnv. Bds. 2006	97¼	+1
100	F.P.	–	103½	96¾	Tarmac 9½pc Cnv. Cap. Bds. 2006	97½	+½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
31	Nil	–	5pm	2½pm	Anglo United 20p	2½pm	
315	Nil	–	70pm	55pm	Baspak 10p	55pm	-2
62	Nil	–	19pm	13pm	Blacks Leisure 50p	13pm	
100	Nil	–	15pm	12½pm	♦Flextech 10p	14pm	
52	Nil	–	8pm	3pm	Gardiner Group 5p	5pm	
380	Nil	–	51pm	38pm	Heath (C.E.) 20p	38pm	-2
100	Nil	–	30pm	23pm	Jarvis Porter 10p	23pm	-2
20	F.P.	–	22½	21¼	Lon. & Assoc. Inv Tst 10p	22	
72	Nil	–	5pm	2pm	McCarthy & Stone 20p	2pm	
33	F.P.	–	45½	41	Marchant Retail 10p	41	
265	Nil	–	40pm	30pm	Merland	30pm	
11	F.P.	–	12	10	♦Mount 10p	10	
300	Nil	–	91pm	72pm	Smith (W.H.) A 50p	72pm	-4
150	Nil	–	24pm	7pm	Stanley Inds.	7pm	-1
55	Nil	–	11pm	5pm	Trade Indemnity	6pm	
10	Nil	–	¼pm	¼pm	Welpac 7p	¼pm	
130	Nil	–	19pm	9pm	Wellbury 10p	11pm	+1
140	Nil	–	18pm	4pm	Whitecroft	4pm	
25	Nil	–	¼pm	¼pm	Willaire 20p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings June 24
● Last Dealings July 5
● Last Declarations Sept. 26
● For settlement Oct. 7

For rate indications see end of London Share Service

Calls in Amstrad, Aviva Pet., Burton, BTR Warrants, Hadleigh Inds. and Stakis. Puts in Aran Energy, Burton, Hadleigh Inds., Pepe and Sater. Put and call in Premier Cons.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*530)	500	37	58	68	4	12	17
	550	9	29	40	24	33	40
[illegible]							
C & Wire (*524)	500	35	52	68	5½	12	17
	550	6	26	40	30	35	40
	600	1	10	20	78	78	80
Courtaulds (*410)	360	55	67	75	1½	4½	8
	390	28	44	54	4	12	15
	420	9	25	36	15	24	28
Com. Union (*494)	460	39	48	62	2½	10	14
	500	12	25	39	15	28	33
	550	1½	9	19	59	63	65
Fisons (*490)	460	39	54	69	3	11	14
	500	12	30	46	18	26	30
	550	1½	12	24	62	62	64
GKN (*345)	330	22	29	41	5	15	18
	360	6	16	26	23	31	34
	390	1	6½	16	48	56	58
Grand Met. (*736)	700	47	67	87	5	17	30
	750	14	38	57	24	40	50
	800	3	19	37	67	76	80
I.C.I. (*1253)	1200	74	102	139	12	40	52
	1250	40	74	109	27	62	70
	1300	20	54	85	60	92	100
Kingfisher (*472)	420	58	69	–	1	7	–
	460	24	40	55	6	19	23
	500	6	21	37	32	40	43
Ladbroke (*253)	240	19	29	35	3	9½	12
	260	7	17	24	10	19	22
	280	2	8½	15	28	31	34
Land Secur (*482)	460	30	45	52	2	7	12
	500	5	20	30	20	24	30
M & S (*244)	240	10	20	26	4½	7	11
	260	2	9	15	17	19	21
Sainsbury (*349)	330	24	37	45	3	6	9½
	360	5½	16	27	15	19	22
Shell Trans. (*511)	500	25	36	45	4	17	22
	550	1½	11	23	42	47	48
Storehouse (*102)	100	6	9½	13	4½	6	8½
	110	1½	5½	8	12	12	14
Trafalgar (*221)	220	11½	25	30	8	18	26
	240	4½	16	21	23	30	38

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Utd. Biscuits (*362)	360	12	24	34	8	16	20
	390	2½	10	18	30	35	37
[illegible]							
Guinness (*970)	[illegible]						
	1000	27	53	78	41	52	58
GEC (*191)	180	13½	17	20	4½	6½	8
	200	2½	6½	9½	18	19	20
Hanson (*204)	200	12½	19	21	4½	7½	11
	220	3½	8	11	17½	18	23
LASMO (*340)	330	20	33	43	11	16	18
	360	9	18	28	29	33	34
Lucas Inds (*144)	140	12	16	18	5	10	12
	160	3½	7½	9	19	23	24
P. & O. (*558)	550	36	43	56	16	28	34
	600	12	22	32	48	60	64
Pilkington (*155)	140	22	–	–	3	–	–
	160	11	18	21	11	15	18
Prudential (*227)	220	18	22	28	5½	10½	12½
	240	7½	12	18	16	21	23
Racal (*204)	200	15	22	28	9	10	15
	220	6	13	19	20	24	27
R.T.Z. (*558)	550	31	45	60	16	25	29
	600	9	22	35	49	53	57
Scot. & New (*374)	360	22	32	39	12	17	21
	390	8	17	24	30	34	38
Tesco (*265)	260	–	24	31	–	9	10
	280	6½	13	20	17	20	21
Thames Water (*291)	280	13	20	26	11	14	18
	300	4	11	14	27	30	31
Option		**Jul**			**Jul**		
STC (*320)	280	–	–	–	¼	–	–
	300	–	–	–	¼	–	–
Option		**Sep**	**Dec**	**Mar**	**Sep**	**Dec**	**Mar**
Abbey Nat. (*265)	260	16	24½	30	9½	12	14½
	280	7	13½	20	21	23	25
Amstrad (*55)	50	10	11½	13	3½	6	7
	60	4	7	8½	8	10	12
Barclays (*444)	420	37	50	60	12	20	22
	460	14	28	37	[illegible]	[illegible]	40
Blue Circle (*242)	240	17	24	30	13	17	20
	260	8	16	21	25	29	31
British Gas (*243)	240	10	15	18	11	13	15
	260	3½	7½	10½	28	28	29

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Dixons (*204)	200	15	20	26	9½	14	16
	220	6½	12	16	21	23	26
[illegible]							
Thorn EMI (*742)	700	47	62	72	19	27	31
	750	20	35	47	45	53	55
TSB (*144)	140	9½	15	17	6½	8	10
	160	3½	5½	8	21	22	22½
Vaal Reefs (*567)	60	10	13	15	5	6	9
	70	6	9	10½	1½	13	15
Wellcome (*655)	650	58	67	88	30	40	47
	700	28	44	60	57	67	70
Option		**Sep**	**Dec**		**Sep**	**Dec**	
Scottish Power (*104)	100	11½	15	–	4	5	–
	110	6	10	–	9	11	–

EURO FT-SE INDEX (*2453)

	2325	2375	2425	2475	2525	2575	2625	2675
CALLS								
Jun	129	79	30	1½	½	½	½	½
Jul	145	99	62	34	15	6	2½	1½
Aug	163	–	88	–	37	–	11	–
Sep	180	–	108	–	56	–	25	–
Dec	237	–	166	–	110	–	68	–
Mar	285	–	220	–	165	–	120	–
PUTS								
Jun	½	½	3	27	74	124	174	224
Jul	10	17	27	49	79	118	161	208
Aug	19	–	42	–	87	–	157	–
Sep	25	–	50	–	93	–	158	–
Dec	44	–	68	–	106	–	158	–
Mar	65	–	90	–	120	–	170	–

FT-SE INDEX (*2453)

	2300	2350	2400	2450	2500	2550	2600	2650
CALLS								
Jun	154	104	55½	10	½	½	½	½
Jul	173	122	84	49	24	10	4	2
Aug	187	145	107	74	46	27	15	8
Sep	205	165	130	95	68	47	30	18
Dec†	257	–	185	–	124	–	75	–
PUTS								
Jun	½	½	½	7	48	98	148	198
Jul	8	12	20	38	65	107	153	202
Aug	14	21	35	52	78	115	157	203
Sep	20	31	45	63	87	120	159	203
Dec†	40	–	68	–	113	–	178	–

June 27 Total Contracts 29,804
Calls 16,060 Puts 13,744
FT-SE Index Calls 3,324 Puts 4,926
Euro FT-SE Calls 127 Puts 174
*Underlying security price. † Long dated expiry months. Premiums shown are based on offer prices.

Mining growth fails to lift Lonrho

By Jane Fuller

A BIG increase in the production of platinum group metals and gold helped to cushion Lonrho, the conglomerate run by Mr Tiny Rowland, against difficult conditions for its motor trading and hotel operations.

Lonrho, which last year made 68 per cent of its pre-tax profit in Africa, virtually maintained its interim figure at £109m (£110m) on sales of £2.39bn (£2.57bn) for the six months to March 31.

The biggest profit contributor was mining and refining, where production of platinum group metals was 50 per cent up and gold increased by 29 per cent. The high price of rhodium also helped to secure a substantial rise on the mining side.

In motor trading, Mr Paul Spicer, a director, said VAG, which distributes Volkswagen and Audi cars, had seen only a slight profit fall, but the retailing side was worse affected by the downturn in UK car sales.

Hotels, including the Metropole group and the Princess hotels in the US, saw custom fall during the Gulf war. Some protection was offered to the Metropole operation by the conferences.

On a geographic basis, profits "improved enormously" in southern Africa, said Mr Spicer, while east, west and central Africa were level pegging with last year. Profits declined in the UK, the rest of Europe and America.

The figures were helped by lower interest costs, although no figures were available. Last year, the net payments increased to £87m (£68m).

Net debt rose to £1.06bn (£936,000), 65 per cent of shareholders' funds. Mr Spicer said this was mainly due to the £100m capital spending on the Metropole hotels and a final tranche of the platinum metals group expansion programme.

With both these projects virtually finished, capital spending, which had amounted to more than £1.5bn over the past five years, was starting to fall.

The group has also benefited recently from a strengthening of the dollar.

Trevor Humphries

Tiny Rowland: high rhodium price fails to offset downturn in motor retailing and hotels divisions

Earnings per share rose to 9.3p (9p). A second interim dividend of 5p (5p) follows the first of 3p, which was also unchanged.

● **COMMENT**

It was a day of good news for Lonrho. It advanced its claims for "tens of millions of pounds" in the House of Fraser saga and brought out results at the upper end of expectations. Its share price gained 6p to close at 246p. The second half figures should be buoyed up by further growth in platinum and gold production, and by the high rhodium price which has held at about $4,000 an ounce. But conditions will again be tough in the UK motor trade, a critical factor being the size of the bulge in new car sales in August. Another concern is the balance sheet, with gearing rising to 65 per cent. This should improve as capital spending is reined in, but it also depends on plans for buying and selling assets. The swings and roundabouts should leave pre-tax profit at about last year's level of £273m, with earnings improving thanks to a lower tax charge. A prospective multiple of nearly 10 leaves it on a discount to the market, as it traditionally has because of a lack of openness and questions about its cash flow. The share price is supported by an 8.7 per cent yield.

Greycoat's net assets fall 34% after £64m provisions

By Vanessa Houlder, Property Correspondent

GREYCOAT, the property development and investment company which specialises in central London offices, yesterday announced provisions of £64m against development properties, pushing it into a pre-tax loss of £38.5m for the year to March 31, compared with a profit of £20.4m in the previous 12 months.

Net assets per share fell by 34 per cent to 477p, reflecting the provisions, a 13.4 per cent fall in the value of its portfolio and the effect of gearing.

Mr Geoffrey Wilson, chairman, said the company had taken "an extremely prudent" view in making the provisions, which reflected adverse market conditions. "It is not a time for optimism. It is a time for realism," he said.

The downturn was more pronounced than it was in 1974 and the recovery would be very shallow, he said.

The unwelcoming development climate meant that new development would only start "when we feel confident of coming into an assured market with the completed building," he said.

He said the company would not undertake future shopping centre developments in the UK and office developments in the US.

Profits before tax and provisions were £25.5m, compared with £20.4m the previous year. Gross rental income increased from £24.25m to £31.88m. Net borrowings as a percentage of shareholders' funds increased from 43 per cent to 80 per cent.

An unchanged final dividend of 2.9p is announced, maintaining the total at 5.2p.

● **COMMENT**

The 30 per cent fall in Greycoat's share price over the past three months – and the shrunken value of its assets announced yesterday – reflects its role as a highly-geared play on central London offices. As such, it remains vulnerable to one of the most troubled property markets in the country, in which, according to the bears, values will continue to drift downwards for the next couple of years, perhaps by another 20 per cent.

On this view, there is no reason to buy Greycoat shares for several years to come, and on the downbeat assumption that the net asset value sinks to 350p next year, there is good reason to sell. The case can be made, however, that the shares have been oversold. The London market may have seen the worst and Greycoat is well positioned to exploit the next property cycle. If, on a more optimistic view, it has a net asset value of 425p next year, the shares, up 6p to 249p, are on an excessive discount of 41 per cent.

Burton shares slip a further 4p as cash flow worries mount

By John Thornhill

SHARES IN Burton Group, the hard-pressed fashion retailer, yesterday closed below their par value of 50p precluding the possibility of the company launching a rights issue without a substantial capital restructuring.

Burton's shares have been hit hard in recent days as a result of growing worries about its cash flow position. The shares yesterday slid a further 4p in heavy turnover to 46p.

Some retail analysts fear that Burton is now caught in a financial vice and is being squeezed by a combination of high borrowings, harsh trading conditions and the difficulties of selling its property portfolio.

The company needs to reduce its borrowings – which otherwise might amount to £500m by the year-end – but is finding it difficult to do so in the current economic climate.

The fall in Burton's share price seemingly shuts off one of its refinancing options – at least temporarily. And analysts speculated that Burton might be in danger of breaching its banking covenants if it sold its property portfolio and had to swallow a further write-down on its book value.

Banking covenants are usually based on debt as a percentage of shareholders' funds and interest cover and a further write-down and poor trading might threaten to breach these levels.

Last year, Burton made a £169m write-down on its property portfolio and indicated that it would withdraw from its development activities once they were complete. But at present, property development is still consuming hard-earned cash. The company said yesterday that it was not prepared to destroy shareholder value by accepting "silly" prices for property. But it declined to comment further on its financial plans.

Unlike the troubled Next, which salvaged its fortunes by selling its successful Grattan mail order business, Burton does not appear to have any simple financial life-lines.

The long-rumoured sale of Harvey Nichols may help to alleviate some of the pressure although analysts suggest the company would do well to receive more than £50m for the Knightsbridge department store.

Last week Burton lengthened its payment period to suppliers from seven to 30 days. This lost the company a prompt-payment discount but had advantages in terms of cash flow.

Analysts said Burton could simply try to "tough it out" but would have little room for manoeuvre if consumer demand did not pick up in response to falling interest rates.

Pre-tax profits forecasts for the year to the end of August range from £15m to £30m, suggesting that the company will record a loss in the second-half after making interim profits of £44.1m. Last year the company made £133.1m.

Cray bows out of battle for SD-Scicon

By Alan Cane

THE TAKEOVER battle for SD-Scicon, the UK computing services company, yesterday effectively narrowed to a single suitor – Electronic Data Systems of the US – as British Aerospace's commitment to accept Cray Electronics' offer lapsed.

BAe holds about 25 per cent of SD-Scicon's ordinary shares and had committed them irrevocably to Cray unless a more attractive offer emerged. BAE is understood to want to sell its shares in SD-Scicon for the best cash offer available.

EDS' cash offer is worth 45p per share compared to the 37.125p offered by Cray. The latter's bid is now to all intents and purposes at an end. Cray told SD-Scicon yesterday that it "no longer has any notifiable interest in SD-Scicon".

SD-Scicon has already rejected the EDS offer as inadequate and undervaluing the company, now seemingly recovering from its troubles.

Industry observers believe further bidders must emerge in what is becoming a prolonged saga, either to secure one of the few remaining large European computing services companies or to prevent EDS – a subsidiary of General Motors – becoming even more dominant, especially in the French market.

SD-Scicon is expected to publish its detailed defence to EDS's offer by Wednesday of next week.

Cable and Wireless launches facsimile operation in Italy

By Haig Simonian in Milan

CABLE AND WIRELESS, the UK-based international telecommunications group, has launched its first local service in a European Community country with a specialised facsimile operation in Italy.

The initiative follows the gradual abolition of monopoly rights by domestic telecommunications authorities, which has opened the door to outside operators to provide specialised "value-added" services for subscribers throughout the EC.

Although Cable and Wireless is represented in a number of EC countries, where it concentrates on providing international telecommunications services to subscribers, this is the first time it has launched a purely domestic service.

Mr Gordon Owen, Cable and Wireless's managing director, said the company did not intend to compete directly with SIP, the Italian telephone operating monopoly.

However, the launch of the group's "Securefax" service in Italy would mark the beginning of a strategy to develop other services in the Italian market, he said.

Cable and Wireless set up its Italian subsidiary in February 1990, but has been spending much of the intervening period hiring staff and developing 14 connecting points in main Italian cities.

Subscribers calling these local numbers will then gain access to high-speed data lines being rented by Cable and Wireless from SIP for the new service.

Facsimile transmissions are used particularly heavily in Italy for business purposes, owing to the poor reliability and slowness of the domestic postal system.

The Italian market is proving attractive to a number of leading international telecommunications groups, with both AT&T of the US and British Telecommunications already established locally.

The country's telecommunications market is particularly appealing because of its size and the scope for improvements via competition.

Caledonia static at £35.3m

By David Owen

CALEDONIA Investments, the investment holding company that is 27 per cent-owned by The Cayzer Trust, reported flat pre-tax profits of £35.3m for the year to March 31, as lower investment income cancelled out most of the gain from higher net interest receivable.

Interest expanded from £7.8m to £13.9m, while investment income declined from £28.4m to £23.2m. A higher tax charge resulted in earnings per share slipping to 25p (25.9p).

Mr Peter Buckley, chief executive, said the period was "a year of waiting and seeing.

"We have not invested a great deal of money because we have been somewhat nervous about the outlook. Even today we remain cautious."

During the year, the group did acquire a 90 per cent shareholding in Edinburgh Crystal Glass from the receivers of the Coloroll Group and a 75 per cent stake in Clan Asset Management.

It also bought a 4.9 per cent interest in Vaux Group, the hotels and brewing company, and subscribed to new shares amounting to close to 3 per cent of the voting capital of Société Générale de Surveillance, the Swiss inspection and testing group.

The recommended final dividend of 9p makes a total of 13.5p (12p). Net asset value per share rose marginally to 490p (485p). The shares firmed 5p to 837p.

Eurocamp for market with £59m price tag

SHARES IN Eurocamp, the specialist holiday company, will be offered for sale to the public at 225p next week, valuing the group at £58.9m, writes Maggie Urry.

There is also a placing of shares with institutions which was carried out yesterday.

Eurocamp is forecasting pre-tax profits of £8m (£5.7m) for the year to October 31. At the issue price, and on the basis of forecast earnings per share of 20.8p (19.1p), the p/e would be 10.8.

A dividend of 5.5p is being paid for the period to end-October. Had the group been public throughout the year the dividend would have been 8.5p. The yield at the issue price would be 5 per cent.

The group specialises in self-drive camping holidays. Mr Richard Atkinson, managing director, said the company was not subject to the high fixed costs and swings of fortune to which other holiday groups are prone.

● **COMMENT**

Holiday companies have had a poor image in stock market terms, especially after the failure of International Leisure Group. There are two main reasons for disregarding that image when looking at this issue. First, the removal of ILG from the market has spurred changes in the industry away from the bad old days of excess capacity, discounting and low margins. Secondly, Eurocamp appears to be an exception to the general run of tour operators since it can tailor its costs much more closely to its sales. Its operating margins, forecast at 17.5 per cent for the current year, are way in excess of those achieved by most operators. And it has been successful in selling holidays to other Europeans, with non-British tourists accounting for over a third of the business. The pricing of the issue is not generous, but should attract longer term interest from investors.

DIVIDENDS ANNOUNCED

Beckenham § ....int	0.5†	Aug 21	1.5	-	3
Berkeley Group ....fin	3†	Aug 27	3	4.5	4.5
BPB ....fin	7.25	Aug 23	7.25	11.25	11.25
Bristol E Post ....fin	7.75	Aug 8	7.75	11.5	11.5
Caledonia Invs ....fin	9	Aug 13	8	13.5	12
Graham Wood ....fin	2.5	Aug 31	5	5.5	8
Greycoat ....fin	2.9	Oct 1	2.9	5.2	5.2
Hardys & Hansons ....int	13.4	Aug 12	11.2	-	33.5
I&S Optimum Inc ....fin	1.8	Aug 7	1.65	7	3.25♥
Lee (Arthur) ....int	1.65	Aug 12	1.65	-	5.9
London Elect ....fin	10.45	Oct 9	-	10.45	-
Lonrho ....fin	5	Oct 1	5	8	8
Rothmans Intl ....fin	11.7	Aug 22	9.2	18.5	15.4
Southern Elect ....fin	10.12	Oct 9	-	10.12	-
Tams (John) § ....fin	2.41†☆	-	2.4	4	3.78
TGI ....fin	nil	-	4	2.2	6.2
TSB Group ....int	3.15	Oct 7	3.15	-	6.4
Vistec § ....fin	0.2	-	nil	0.2	0.1
Wilshaw ....fin	0.2	Oct 1	0.25	0.3	0.35

*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♥For seven months. ☆Scrip alternative

Reorganised Camellia falls to £20m

In results delayed by a reorganisation involving the takeover of Lawrie Group, Camellia Investments reported a 25 per cent fall, from £27.3m to £20.41m, in 1990 pre-tax profits. The figure included a trading loss on discontinued activities of £1.35m.

The company said that to comply with the Companies Act 1989 the results of Lawrie and its subsidiaries had been included for the first time with the comparatives being restated.

Turnover fell from £227.94m to £181.24m. Tax took £11.74m (£14.78m) and minorities £5.45m (£5.86m). An extraordinary charge of £1.36m (£116,000 debit) left profits for the year of £1.86m (£6.79m).

Earnings per share were 128.68p (266.88p). A second interim of 15p was paid earlier in the year in lieu of a final because of the delay in reporting the full figures. The total payment for the year was 25p (23p).

Camellia began the year with a 49.2 per cent stake in Lawrie. Following a series of acquisitions by Lawrie, Camellia finished with a 70.9 per cent holding.

Berkeley returns to black with £0.17m

Berkeley Group, the housebuilder, reversed its first half loss to record a small pre-tax profit for the year to April 30. Taxable profits, struck after exceptional provisions against stocks of £925,000 (£2.83m), amounted to £165,000 (£204,000). Turnover was £100.3m (£98.1m).

Earnings per share were unchanged at 0.3p. The final dividend is held at 3p, maintaining the total at 4.5p.

Death can't be avoided, but taxes can be reduced

Robert Peston on Hanson's complex tax techniques

"THEY MUST think we were born yesterday." So says Mr Derek Bonham, Hanson's finance director, referring to the financial consultants who have been telephoning his company's overseas subsidiaries, requesting 10 years of accounts with the seemingly innocent explanation that their records need updating.

But Hanson was not born yesterday. It is convinced that these consultants are working for Imperial Chemical Industries, which fears it may face a takeover bid from the conglomerate.

ICI will not admit that it is dissecting the accounts of hundreds of Hanson subsidiaries. But privately its advisers say that if Hanson bids, their counter-attack will include a detailed analysis of how it makes its profits and there will be particular emphasis on how it keeps its tax charge low. ICI's advisers hope to demonstrate that Hanson's expertise is in financial engineering, rather than the management of industrial assets.

There has already been a foretaste of the battle to come in a series of newspaper articles highlighting the accounts of obscure Hanson subsidiaries. These subsidiaries are shell companies whose paid-up share capital is minute – just £2 in the case of one called Morebeat. Yet these companies are involved in transactions involving billions of pounds.

Hundreds of millions of pounds in interest is transferred between these subsidiaries. Investments valued at billions are dropped from one subsidiary into another. The impression is given of financial manipulation on a vast scale – though no allegation is made that Hanson has done anything wrong.

Yet, Hanson is an easy target for innuendo, because it has always refused to discuss its tax affairs. The reason for the silence, says Mr Bonham, is that the company does not want to help rivals derive the same tax benefits. A former Hanson executive opines that Mr Brian Hellings, a director based in the US, is a tax genius. "If we told our auditors, Ernst & Young, all the things we do, they would probably market the techniques to their clients," jokes Mr Bonham.

However, the group has become concerned that its subsidiaries' accounts have been misunderstood and so Mr Bonham has lifted the veil slightly.

Hanson has traditionally paid a lower tax rate than other acquisitive conglomerates, such as BTR, and than ICI itself, which was taxed at 35 per cent in both 1989 and 1990.

In the year to September 30, Hanson paid tax of £314m, equal to 24 per cent of its pre-tax profits of £1.28bn. That compares with a 35 per cent standard corporation tax rate in the UK and 34 per cent, before state charges, in the US, where most of Hanson's businesses operate.

No analysis can give a complete explanation of the low tax charge. Even ICI, with its teams of advisers, does not hope for that. But some tax planning techniques can be identified.

For the first time, Mr Bonham admitted that interest is received in low tax jurisdictions. But he refused to name the tax havens or say how much money was involved. However, clues can be found in the accounts.

In filings with the US Securities & Exchange Commission, Hanson disclosed that at the end of September last year it had £6.76bn of cash on deposit – principally with banks in western Europe. However, Mr Bonham said that the interest is not necessarily paid in western Europe.

Martin Taylor: Companies Act required revaluations

Then where could it be paid? In subsidiaries' accounts, Hanson discloses that it has a string of investment companies incorporated in Panama, such as Alpar Holdings, Palmar Investments Trading and Pasadena International Corporation.

The Hanson subsidiaries owning the Panamanian companies have received substantial income from shares in group companies. For example, Morebeat received £147m in the year to September 26 1987. The following year, Hanson Industrial Services, another Hanson subsidiary, received dividends of £65m.

Under tax legislation for the control of foreign corporations, there are two distinct advantages of holding cash in a foreign tax shelter. First, only 90 per cent of profits have to be remitted to the UK in the form of dividends, so 10 per cent remains sheltered. Second, the remittance does not need to be made for 18 months.

Accountants who specialise in conglomerates' tax affairs say that, in practice, the profits earned in a tax haven do not become taxable in the UK for two years and often much longer if there is a dispute with the Inland Revenue. In other words, further interest can be earned on the taxable portion of the profits for two years – and that can be extremely valuable.

Capital gains tax is one tax which in theory should pose a problem for Hanson since it buys and sells companies with such regularity. But the conglomerate has been extremely adept in minimising this liability.

Hanson paid no capital gains tax on the £1.4bn sale of Courage's breweries and pubs to Elders IXL, the Australian group, even though it apparently made a vast profit on the disposal. This was achieved by selling Courage under the name of its former parent company, Imperial Group, which it had bought for £2.5bn. Hanson had simply stripped out Imperial's tobacco and food businesses.

Mr Bonham said that the Inland Revenue agreed that the £1.4bn sale price should be compared with the Imperial purchase price of £2.5bn, so there was no capital gain and no tax liability. He added that Hanson cannot use this device again, because the Inland Revenue has changed the rules.

Some analysts have speculated that the reorganisation of Hanson's legal structure in 1989, which involved the revaluation of all its assets to a total of £14bn, was intended to minimise capital gains tax. But Mr Bonham denied this.

The reorganisation was an attempt by the company to match "the legal structure with the reporting chain". Having bought many companies over the years, Hanson's structure was byzantine. Brick companies were legally linked to shower curtain businesses, even though they reported to different executives.

Hanson transferred assets held in 300 subsidiaries so that they ended up being owned by the appropriate divisional companies. In the process, all the transferred assets were revalued to their market price. This was a Companies Act requirement, says Mr Martin Taylor, a Hanson vice chairman.

Anyway, the revaluation would not have eliminated any liability to capital gains tax, if Hanson sold any of the businesses, says Mr Bonham. He maintains that the Inland Revenue would take its own view of the cost of these businesses to Hanson and assess any capital gain on that basis.

There was another, similar reorganisation, as yet undisclosed, after the £2.5bn takeover of Consolidated Gold Fields in 1989, by which Gold Fields' mining and building products subsidiaries were transferred to the relevant divisions of Hanson.

"When those accounts reach Companies House, there will no doubt be allegations that we have carried out another secret reorganisation," says Mr Bonham wryly.

However, Hanson is confident it can rebut any attacks from ICI on tax issues. After all, its shareholders should be delighted that the tax charge is low. Hanson believes the more germane question, which ICI's shareholders should be asking, is why the chemical group's tax charge is so much higher.

Morebeat – a labyrinthine tale of interest and dividends

HANSON MAY occasionally be too clever for its own good. There is no other way to make sense of Hanson's account of the curious history of Morebeat, its film company, writes Robert Peston.

In 1985, this tiny company – with paid-up share capital of just £2 – was described in its accounts as an investor in the film industry. It made a tiny pre-tax profit of just £123,000.

The following year, the company's description had been changed to film investor and investment holding company and it bought £1.48bn of shares in group companies. It acquired the entire shareholding in a number of companies, including 15 Panamanian companies. The pre-tax profit for the year rose dramatically, to £100m. Most of the income came from "shares in group companies".

The following year it invested £1.2bn in other group companies and made taxable profits of £147m.

However, when the 1988 accounts were published, the 1987 profits were restated downwards to £38m.

Mr Bonham says that Morebeat became an investment company in response to tax legislation introduced in the 1984 Finance Act on the control of foreign corporations.

This legislation was designed to prevent UK companies from using overseas tax havens to avoid paying UK tax. If a company carries on investment business through a foreign tax haven, such as Panama, then it must either declare the profits to the UK tax authorities and pay the appropriate UK tax or it must return 90 per cent of the income to the UK in the form of a dividend within 18 months.

Hanson decided to remit dividends to the UK. Mr Bonham said Morebeat was chosen as recipient of the funds because of a peculiarity in tax assessments which means that a holding company will enjoy greater tax relief if it pays interest in one subsidiary and receives dividends in a separate subsidiary. Morebeat was ideal, because it paid no interest.

However on September 29 1987, Morebeat issued £2.5bn of 10.5 per cent loan stock. Most of it was taken by Marnee, another Hanson subsidiary. In other words, Morebeat became an interest payer, which meant that it was no longer an appropriate vehicle to receive dividends.

So, to avoid a reduction in group tax relief, Morebeat then dropped its main shareholdings into another group company, Hanson Industrial Services. In the year to October 1 1988, it made a pre-tax loss of £259m and made a £200m provision "against the cost of investment in a group company".

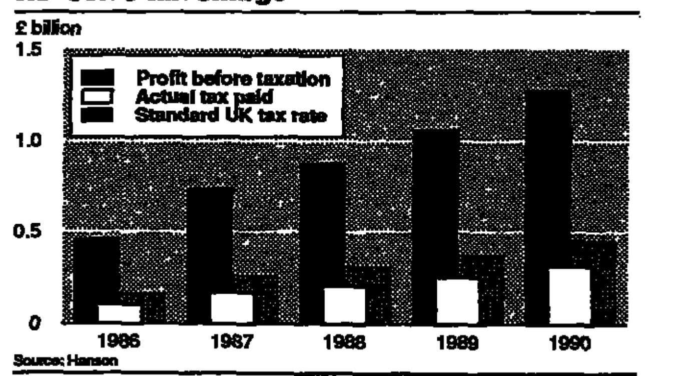
But why did Hanson turn Morebeat into an interest payer? The reason, says Mr Bonham, was that it wanted to swell the assets of a financial company which it was planning to use as a vehicle for tapping the capital markets. Marnee was linked to this vehicle. Issuing the loan stock to Marnee was indirectly strengthening the financial company's balance sheet, which would improve its standing in the markets.

Mr Bonham says that the alternative method of strengthening the financial company's balance sheet would have created a liability to pay £2.5m in capital duty.

So in the year to March 31 1990, Marnee received £276m in interest from fellow subsidiaries and paid interest of £309m to group companies. Most of the interest payable must have gone to Hanson plc, the ultimate parent company, since Mr Bonham says it held £2.9bn of loan stock paying interest of 10.5 per cent. Morebeat, in its year which ended on September 30 1989, paid interest of £262m.

However, six months after the Morebeat loan stock was issued, capital duty was abolished in the 1988 budget. The whole complicated exercise had apparently been made pointless.

Hanson's tax charge



Source: Hanson

UK COMPANY NEWS

Unilateral yet unratified arms reduction

The defence industry's problems are building, reports David White

FOR THE last month, the aircraft carrier HMS Illustrious has been tied up at Devonport naval base, awaiting a £120m refit.

The privately-run Devonport dockyard is hoping to start work on the vessel next month, but it is increasingly questionable whether a contract will be ready.

The ship, now lying idle without its engines, symbolises the quandary facing many UK defence contractors waiting for the Ministry of Defence to sort out its requirements and its spending priorities.

For Devonport Management Limited (DML), which took over the running of the government-owned repair yard from the navy four years ago, it is a double uncertainty. The Illustrious refit represents a large part of its planned workload for the next 2½ years, and a prolonged delay would, according to managers, "inevitably have financial consequences".

But, more than that, the whole future of the yard is in question as part of the MoD's Options for Change review, which is due to include sharp cutbacks in naval support facilities.

"This isn't a normal market environment," commented a senior DML executive. "We're totally at the mercy of the ministry in determining what our workload will be."

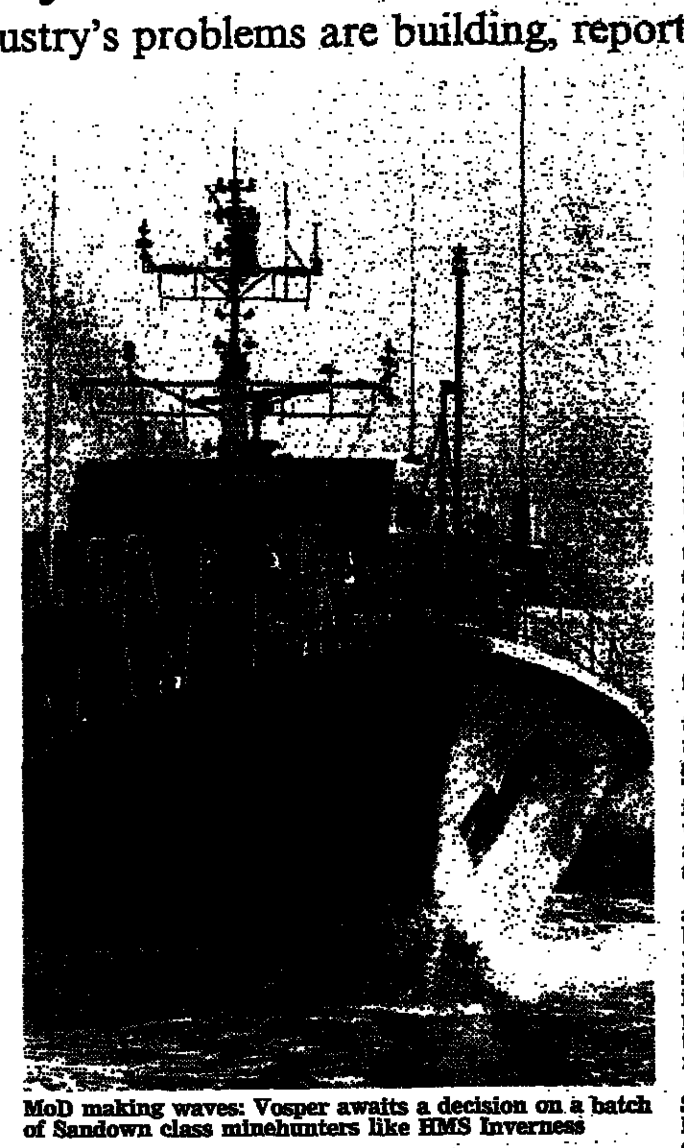
In recent months, defence suppliers have become increasingly exasperated over delays in placing new contracts.

The MoD has not resorted to a formal moratorium on new purchases, as it did in May and June last year in a desperate search for short-term savings. But many equipment decisions have been awaiting the outcome of detailed work on the armed forces cuts foreseen in the Options for Change defence review.

The timetable for decisions was set back by the Gulf conflict, and the delay has caused further short-term problems in balancing the MoD's books.

Companies frequently accuse the MoD of "prevaricating" and complain of internecine squabbling between the ministry and the Treasury.

Moreover, some say the Options for Change studies are being used to obscure what is *really a budget issue.*



MoD making waves: Vosper awaits a decision on a batch of Sandown class minehunters like HMS Inverness

"We are all freezing to death in the cold while the MoD make their minds up," says Mr Brian Lowe, director general of the Cheltenham-based Defence Manufacturers Association.

He is pressing for urgent talks with the ministry following publication of next month's – delayed – defence White Paper.

"What we're starved of is information," he says. "The uncertainty is very bad news for the industry." Some components suppliers risk being particularly hard hit. While large defence companies may survive cutbacks in major projects, "it may not be the same for sub-contractors who had high expectations".

The most conspicuous example of delays in decision-making was the order for a new army tank, finally settled last week in favour of Vickers' Challenger 2, against foreign competition.

The decision was to have been taken before Christmas but went through multiple postponements.

For companies like Vickers, frustration is compounded by the knock-on effect on exports. The recommendation of a UK order is often essential for any overseas sales pitch.

Westland, the helicopter manufacturer, has been battling for months to settle an RAF order for Sea King helicopters.

This was originally due to involve 14 of the helicopters for search-and-rescue operations, but a reduced order of up to nine is now being talked about.

Westland wants the work to fill a gap before it begins production of its new large naval helicopter, the EH101, which it is developing jointly with Agusta of Italy. The first production order for EH101s is not due before December.

Ministry officials have argued that there is no connection between the two orders. Westland's problem is that its Sea King production, under licence from Sikorsky of the US, is at its end. An RAF order would prolong it and enable the company to pursue several smaller orders for export. Otherwise there would not be sufficient numbers to justify keeping the production line open.

Other companies have suffered long waits before.

A typical example is Pilkington Optronics, the specialised military arm of the glass group, now half-owned by Thomson of France. An order it received last year for 8,000 weapon sights worth £7m came at least seven months later than anticipated.

GKN, manufacturer of the army's Warrior armoured combat vehicles, was forced last year to slow down its delivery schedule to help the MoD trim its spending. It now faces the possibility of a reduction in the total order, which amounts to more than 1,080 vehicles.

Vosper Thornycroft, the Southampton-based shipyard, has been awaiting a decision on a new batch of minehunters for the navy. The yard has orders for the first five of the Sandown class vessels, two of which are already in service. But the new batch of up to seven was put to competitive tender, and all the UK's other naval shipbuilders – VSEL of Barrow-in-Furness, Swan Hunter of Tyneside, and GEC's Yarrow yard near Glasgow – are competing.

Under the original schedule, a contract should have been placed by now. Bids were submitted last November and have already been extended to the end of July. But Mr Martin Jay, Vosper's managing director, says the MoD is unlikely be in a position to place an order by the expiry date.

NEWS DIGEST

Arthur Lee plunges to £323,000

ARTHUR LEE, the Sheffield-based steel and plastics group, suffered a sharp fall in interim pre-tax profits due to a dramatic decline in the market for steel products last autumn, writes Michiyo Nakamoto.

Taxable income for the six months to March 31 plunged from £2.72m to £323,000 on lower turnover of £54.91m (£63.43m). The lower results include £146,000 surplus on the sale of land.

Earnings per share were down from 5.41p to 1.05p. The interim dividend, however, is maintained at 1.65p.

The shares held steady at 88p, after falling 5p to 83p.

The sharp decline in industrial demand affected both the group's steel products and plastics businesses.

The steel products division saw operating profits fall to £979,000 (£2.5m) while the plastics division suffered a sharp drop to £103,000 (£879,000).

An overall decline in operating profit to £1.08m (£3.38m) was compounded by redundancy charges of £309,000 as the group moved to cut costs throughout its operations.

Measures to cut costs have been adopted and staff levels have been reduced by well over 10 per cent, or about 200 to 1,350.

Mr Peter Lee, chairman, pointed out that while profits fell substantially, on the brighter side, the group was able to hold on to market share and maintain gross margins.

While the reduction in demand has stabilised "I can't honestly say it has started to get better," Mr Lee said.

The group has nonetheless carried on with its capital expenditure programme at a cost of £1.85m for the period. Gearing rose to 30 per cent of shareholders' funds.

John Tams achieves 14% rise to £2.88m

Despite the recession in the UK and North America and deteriorating sales of earthenware mugs, John Tams, the ceramics company, lifted profits by 14 per cent in the year to March 31.

Taxable profits rose from £2.52m to £2.88m on sales of £20.44m (£18.01m). The recommended final dividend of 2.41p makes 4p (3.78p) for the year on earnings per share of 8.34p (8.26p).

The USM-quoted company highlighted the success of exports to the Continent which increased by more than £1m. The acquisition of Jason China in April 1990 resulted in a dramatic improvement in production and quality of bone china mugs.

TGI slides into red and passes dividend

TGI, the audio and electronic products group, yesterday reported a pre-tax loss of £820,000 for the year to March 31 and revised a previously reported £1.73m profit for 1990 to a loss of £101,000.

The company will not pay a final dividend, leaving a total for the year of 2.2p (6.2p). Sales fell £10.42m to £44.39m.

The restatement of the 1990 accounts follows the resignation of auditors Coopers and Lybrand Deloitte in May after a dispute about profit figures reported by Tannoy Audix, a company bought by TGI on earnout terms in February 1989.

KPMG Peat Marwick McLintock, who took over as auditors, has restated the 1990 Audix profits of £1.1m as a loss of £700,000.

Coopers wrote to TGI shareholders denying the allegation of negligence.

TGI said Audix made a loss of £1.8m in the year to 1990 following problems with a contract at Birmingham's International Conference Centre.

Mr Norman Crocker, chairman of TGI, said that Mr Nigel Hamilton, former chief executive of Black and Decker and Anglo Nordic, will take over from him as chief executive in August.

Mr Michael Windsor, chairman of the Horstmann Group, will join the board as non-executive director.

Wilshaw declines 56% to £732,000

World recession, the strength of the pound and the Gulf war were cited as the principal causes of a 56 per cent decline in profits at Wilshaw, the industrial holding company, in the year to end-March.

In spite of a strong performance from FC Precast, its structural concrete subsidiary, group pre-tax profits fell from £1.67m to £732,000.

Turnover improved from £20.95m to £24.88m. At the operating level profits declined by 16 per cent from £2.16m to £1.81m.

Net interest payable surged from £491,000 to £1.08m and after a reduced tax charge of £218,000 (£600,000) earnings per share came out at 0.61p (1.39p). A final dividend of 0.2p is proposed for a total of 0.3p (0.35p).

An exceptional debit of £182,000 represents provision made for bad debts, predominantly incurred in Iraq.

Mr Peter Reynolds, chief executive, said the strength of the pound from August 1990 to the year-end had dramatically affected both the profitability on sales to the US and the company's ability to compete effectively.

However, there had been a steady improvement in trading since the year-end.

Hardys & Hansons ahead to £3.5m

Hardys & Hansons, the Nottinghamshire-based brewer, lifted taxable profits by 18 per cent to £3.45m in the six months to March 29.

The increase from last time's £2.94m came on turnover of £13.4m (£11.47m).

Directors said that apart from February, when poor weather affected trade, the upward sales trend continued until Easter. They warned, however, that the recession "does now seem to be affecting our sales" and that the second half was unlikely to match the profit growth in the first six months.

The interim dividend is raised from 11.2p to 13.4p, payable from earnings of 45.915p (38.195p) per share.

Net assets dip at I&S Optimum

I&S Optimum Income Trust, which invests in blue-chip UK companies, reported net asset value of 91.39p as at May 31 – a decline of 7 per cent over the year.

Net revenue for the year amounted to £2.18m against £1.01m for the previous seven month period. Earnings advanced to 7.54p (3.5p) per share. A proposed final distribution of 1.8p lifts the total for the year to 7p (3.25p).

Directors forecast a total of 7.2p for the current year, which implies a prospective yield of 10.4 per cent on the current share price of 92p.

Recession in building hits Beckenham

Beckenham Group, the USM-quoted company involved in the manufacture of ductwork systems and specialist distribution, tumbled to profits of £746,000 pre-tax in the six months to April 30, against profits of £2.86m last time.

Mr Christopher Egleton, chairman, blamed "the deepening recession and the continuing high level of interest rates", especially as far as they affected the construction industry. Turnover dived to £26.5m (£50.8m).

Above the line operating profits were sharply down at £1.05m (£2.79m) and this was further reduced by interest payable of £305,000 (£64,000 receivable).

Earnings were cut to 1p (4p) per share and the interim dividend to 0.5p (1.5p).

Ex-Lands seeks £4.85m via rights

Ex-Lands, the investment and leisure group, proposes to raise some £4.85m by way of a 1-for-3 rights issue at 31p per share.

Proceeds will be used to fund the continued development of the group, principally the projects being undertaken with International Management Group in Germany and France.

In Germany Ex-Lands owns a majority interest in Clubhaus, with the balance owned by International Management Group.

Clubhaus is to develop two golf and leisure projects at Hamburg and Stuttgart. And in Vichy, France, construction has begun of a championship golf course.

Directors and shareholders associated with the board are investing £1.07m. The balance of the shares has been underwritten by Smith New Court.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	21.51	18.25	18.25
0100	16.10	18.07	18.07
0130	16.10	18.07	18.07
0200	16.10	18.30	18.30
0230	16.10	18.36	[illegible]
0300	16.10	18.25	[illegible]
0330	16.10	18.07	18.07
0400	16.10	18.07	18.07
0430	16.10	18.07	18.07
0500	16.10	18.07	18.07
0530	16.10	18.07	18.07
0600	16.10	18.07	18.07
0630	16.10	17.20	17.20
0700	17.77	18.61	18.61
0730	18.71	18.12	18.47
0800	[illegible]	18.98	[illegible]
0830	20.03	20.96	22.32
0900	21.02	[illegible]	[illegible]
0930	21.15	25.09	[illegible]
1000	21.21	[illegible]	[illegible]
1030	21.20	[illegible]	[illegible]
1100	[illegible]	[illegible]	[illegible]
1130	[illegible]	[illegible]	[illegible]
1200	[illegible]	[illegible]	[illegible]
1230	[illegible]	22.71	[illegible]
1300	21.09	[illegible]	[illegible]
1330	20.94	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]
1430	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]
1530	[illegible]	[illegible]	20.77
1600	18.71	[illegible]	20.17
1630	20.91	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]
1730	[illegible]	[illegible]	[illegible]
1800	20.91	[illegible]	[illegible]
1830	18.71	18.54	[illegible]
1900	[illegible]	18.54	[illegible]
1930	[illegible]	18.44	18.73
2000	[illegible]	18.12	18.41
2030	[illegible]	18.12	18.41
2100	[illegible]	18.12	[illegible]
2130	[illegible]	18.12	18.41
2200	20.81	18.44	18.73
2230	20.81	18.44	18.73
2300	20.87	18.12	[illegible]
2330	20.81	[illegible]	[illegible]
2400	18.16	[illegible]	[illegible]

[illegible]

ScottishPower chief attacks flotation price

By James Buxton, Scottish Correspondent

SIR DONALD MILLER, chairman of ScottishPower, yesterday delivered a veiled rebuke to the government for pricing the recently-floated company too tightly depriving investors of a substantial premium.

Although ScottishPower opened at 119½p when trading began last week, it has fallen steadily ever since and yesterday closed unchanged on the day at 104p.

"The share price reflects the advice we gave to the government," he said. "You can understand why we had some very difficult negotiations with the government on the capital structure of ScottishPower."

The company was floated with gearing of 51.4 per cent and had its unutilised tax losses cancelled.

He pointed out that ScottishPower had raised £2bn for the government, on a fully paid up basis, against about £8bn for the whole of the electricity industry in England and Wales, although the Scottish company was only about one tenth of the size of its southern counterparts.

"A lot of unsophisticated investors might have been surprised. They might have thought that the Scottish industry would have been sold off on a comparable basis with England and Wales," he said.

Sir Donald also defended the big salary increases for directors and executives of the newly privatised electricity companies. They were "not inconsistent with" levels recommended by consultants appointed by the government when they assessed the companies and their staff during the privatisation process.

Salaries at ScottishPower would be reviewed by an emoluments committee, he said.

The results for the year to the end of March were broadly in line with estimates in the prospectus published last month. Pre-tax profits were up 11 per cent at £145m (£130m) on turnover which rose 9 per cent to £1.24bn (£1.14bn). The pro forma profit was £163m giving earnings per share of 18.8p.

Sales to other electricity companies in England and Wales were up 2½ times at £91m.

Sir Donald said that ScottishPower had faced strong competition in its market for industrial customers using more than 1MW. Average revenue per unit in this sector fell by 3.6 per cent.

Competition remained severe although the company had retained 98 per cent of the load which had been contested by competitors in the current financial year. It was exporting higher levels of power to the English pool than last year because of an increase in night pool prices.

Provisions of £63m were made to cover the cost of restructuring. This follows a provision the previous year of £35m. Further significant improvements in productivity and efficiency are expected although the full financial benefits from the changes will not be felt until 1992-93.

Operating costs this year will be affected by increases in the price of electricity bought from Scottish Nuclear.

Exports in future months might be restricted by work on upgrading the interconnecting power lines to England. This project, currently the subject of planning inquiries, will treble export capacity to 910MW by early 1995.

Mr Mike Smith, marketing and distribution director, said ScottishPower would not be severely hit by the rundown of the steel industry in Scotland where British Steel is one of its biggest customers. Prices to the company were so keen that their contribution to profits was disproportionately low.

Three water companies progress strongly

THREE STATUTORY water companies announced their results yesterday.

Eastbourne Water reported taxable profits of £2.34m for the 15 months to March 31 compared with £802,000 for the previous 12 months. The accounting year was altered to fit the regulatory and charging cycle, the chairman said.

Turnover amounted to £16.63m (£10.6m) and retained profit for the period was £1.72m (£349,000 loss).

Mid-Sussex Water lifted taxable profits from £936,000 to £2.37m for the year to end-March on turnover of £15.23m (£12.46m). Retained profit was £1.85m against a loss of £931,000.

The company said its capital spending programme was expected to cost £60m over the next 10 years.

West Kent Water moved back into the black over the 12 months to March 31 with pre-tax profits of £588,000 against previous losses of £395,000. Turnover improved from £5.04m to £6.52m and retained profits were £461,000 (losses £833,000).

The company's capital spending programme was expected to cost £20m over the next 10 years, and its investment priority was the upgrading of treatment works' processes, the rehabilitation of water mains, the renovation of service reservoirs and the increased frequency and extent of water quality monitoring.

Southern Water has sold its holding in all three companies to South East Water, a company recently formed in the SAUR Group. The SAUR Group now holds more than 95 per cent of the voting share capital of the three companies.

Southern Electric beats flotation forecast with £140m

By Clare Pearson

SOUTHERN ELECTRIC, one of the largest of the regional electricity companies (Recs), achieved pre-tax profits of £139.6m in the year to end-March compared with £122.7m forecast in its flotation prospectus last autumn.

The company, with a region stretching from west London to Somerset, is recommending a dividend of 10.12p, in line with the prospectus.

The results were struck after making two provisions: £19m for the expected past service liability arising from the "Barber" court case regarding discriminatory pension benefits, and £14m for rationalisation of the retailing and contracting businesses.

Southern said the core business of providing electricity had seen units distributed grow by 4.9 per cent, contributing to an overall rise in turnover to £1.55bn (£1.46bn).

Mr Duncan Ross, chairman, said this reflected continued growth in the local economy, albeit at a lower level than in recent years, as well as colder winter weather.

As with other Recs, the supply business benefited from better demand and lower purchase costs than anticipated. As a result, the amount under recovered, compared with allowable supply revenues, was £3m against a forecast of £19m.

Southern, which is one of the Recs most keen to build up the supply side, recently won back Heathrow airport which was lost to Seeboard, the south-eastern company, last year.

Yesterday it said that since the start of competition in March last year it gained some 100 new contracts outside its region and 29 additional major customers.

Pre-tax profits in the previous year were £128.2m. There was a £5.9m extraordinary charge for privatisation. On a pro forma basis, assuming the company had been privatised for a full year, earnings per share would have been 31.64p.

Capital expenditure was some £27.9m less than forecast at £118.5m. The company said that was partly because generation projects it was involved in were progressing more slowly than earlier expected, especially with the 35 per cent March rise in gas prices for power projects.

Both London and Southern are investors in Thames Power, which has recently issued a writ against British Gas for failure to agree gas supply contracts.

● COMMENT

Aside from volume growth, a really striking feature of these figures is the shortfall in capital spending compared with the prospectus. Southern cites slower generation development, together with some deferment for the recession and management review of projects – although it does raise the suspicion that the company might just have got the better of the government on that point. Powered, like the other Recs, by making up for last year's shortfall on distribution charges, pre-tax profits should move comfortably ahead at least to about £143m. The dividend is likely to be lifted to about 16.5p, making the prospective yield nearly 7 per cent. With its broad spread of customers and geographical location, the company has clear attractions as an investment.

Wessex Water ends season with £66m

By Clare Pearson

WESSEX WATER yesterday brought the water companies' results season gently to a close with the recommendation of an 11.6p final dividend for a 16 per cent yearly increase to 17.7p.

That was down from the 20 per cent rise at the interim stage. The comparisons are notional, based on what Wessex would have paid had it been privatised throughout 1989-90.

Mr Nicholas Hood, chairman, said the company had taken a "prudent view", taking into account "noises made by the press, the industry regulator and shareholders."

The announcement came as it unveiled pre-tax profits of £66m, up from a pro forma £56.5m. Actual profits in the previous year were £27m.

In February, Wessex took a big step outside the regulated business through a £125m joint venture with Waste Management of the US, which plans to become involved in a broad range of solid and liquid disposal and treatment activities.

On the core business, Mr Hood said that Wessex last year had the highest water and effluent compliance standards in the country.

He forecast that the £1.3bn 10-year investment programme would be achieved ahead of target after £100m was invested last year.

The business was restructured during the year involving the removal of two whole tiers of management. This helped hold the operating cost increase to 5 per cent.

The joint venture arrangements involved the US company in paying £63m to buy new unlisted B shares in Wessex, amounting to 14.9 per cent of the enlarged share capital.

The joint venture has yet to announce a major move and Mr Hood said yesterday the premiums being paid for mature waste management companies were looking "prohibitive" at present. However, he said a number of small-scale deals were being explored.

Taking account of the 1 per cent gross dividend payable on the B shares, earnings per share rose to 58.4p (50p pro forma). Turnover was £166.9m (£147.8m).

● COMMENT

Wessex and its partner are evidently reluctant to pay up for acquisitions to put into the joint venture so market uncertainty about exactly what will happen to it is set to continue. Shareholders can, however, comfort themselves with the thought that while the Office of Water Services, the regulatory body, has recently expressed concerns about water companies' diversifications, Wessex did a model job of keeping it informed when the venture was set up. Its careful paring of the dividend increase enforces the impression it is taking a prudent approach to relations with the regulator. Pre-tax profits should rise to £80m this year and assuming a 10 per cent dividend increase the prospective yield is just over 7 per cent. The shares are not trading at demanding levels, but it is difficult to see them going far in the near-term, especially bearing in mind that Wessex is one of the smallest of the water companies.

Commercial sector resilience helps London Elect to £142m

By Clare Pearson

LONDON Electricity far outdid the pre-tax profits forecast when it floated last November, making £141.8m against £115.6m shown in the prospectus.

Mr Roger Urwin, managing director, said: "The most pleasing aspect of these results is volume growth." That was mainly thanks to the resilience of the commercial sector, to which London makes a higher proportion of sales than other regional electricity company.

Overall there was a 4 per cent rise in distribution. Commercial sales growth was 4.2 per cent, reflecting "a continuing increase in office automation and the installation of air conditioning. Sales to the domestic market rose by 6.4 per cent, mainly due to the cold weather.

Like other Recs, the supply business benefited from higher sales and lower purchase costs than those anticipated in the prospectus. In London's case, this resulted in a £5.1m overrecovery of allowable supply revenue, compared with £15m underrecovery in the forecast.

The average tariff increase this year has been 10.9 per cent. Mr Urwin said charges for use of system had been set with the aim of recovering more than half of last year's £12m shortfall on distribution arising from a government underestimation of inflation at privatisation.

A 10.45p dividend recommendation is in line with the prospectus.

● COMMENT

The Recs' results season is not expected to spring many surprises but Mr Urwin stunned City analysts with one statistic yesterday: the 70 largest London financial institutions took 4 per cent more electricity last year than the year before. The message is that, whatever the state of the property or the securities industry, offices just keep using more electricity for computers, for air conditioning, for refurbishment. Shops do not turn the lights off just because of bad times, either. All this bodes even better for London's prospects than people had hoped. Pre-tax profits this year should push ahead at least to £147m. With a dividend increase to about 16.5p the prospective yield is about 7 per cent. The shares look among the more attractive in the sector.

Countryside seeks £20.5m to cut borrowings

By Vanessa Houlder, Property Correspondent

COUNTRYSIDE Properties, the commercial and residential property developer, yesterday announced a £20.5m rights issue to reduce borrowings and cut gearing from about 185 per cent at present to just over 100 per cent.

The high level of borrowings has stemmed from delays in selling commercial property and the accumulation of a residential land supply.

The company said the borrowings remained "comfortably" within its banking facilities.

Mr Alan Cherry, chairman, said: "We want the flexibility to hold the commercial property for longer and to time the sales more comfortably. It [the rights issue] will also allow us to take up options on residential development sites."

Up to 24m shares at 88p each are being offered on the basis of 2 new shares for every 3 already held.

Countryside's share price fell 15p to 95p yesterday.

The directors plan to maintain the final dividend at 2.7p per share.

The company owns or controls land with planning permission for 2,400 new homes.

In addition it has agreed options over sites for 8,000 further homes, subject to planning.

The commercial portfolio is valued at about £78m, of which 53 per cent is retail property, 46 per cent office property and 1 per cent industrial property.

Nearly 80 per cent of the total anticipated rent roll has been secured for these properties.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Anglia Secure Homes, Anglia Television, Cranbrook Electronic, Greenwich Communications, Speyhawk.

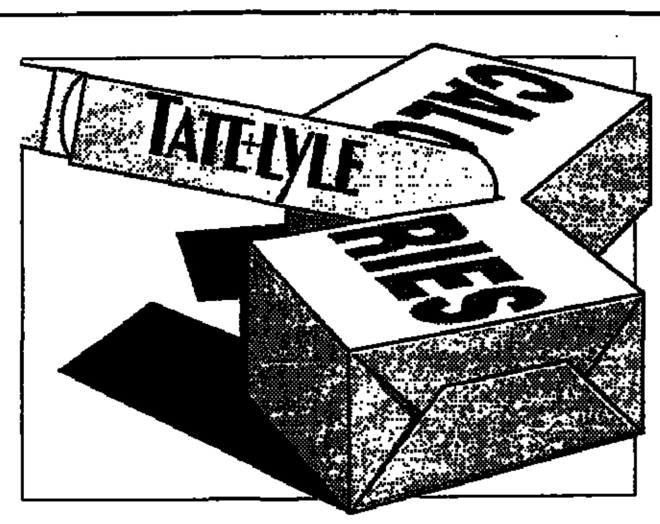
Finals- Asprey, Avesco, BS, Danae Inv Trust, Davies & Newman, de Morgan, Electric & General Inv Trust, Ensor, Greshams House, Reed Executive, Syltone, Trans World Communications.

FUTURE DATES

Interims-	
City Site Estates	July 5
Midland Bank	Aug. 2
Finals-	
Burtonwood Brewery	July 5
Colefax & Fowler	July 9
Ellis & Everard	July 15
Howden	July 9
Marlborough Securities	July 4

Slice of a fat market

David Owen examines the ingredients in Tate & Lyle's Stellar low-calorie product



It is some years since the penny dropped in the food industry that fat replacement was potentially big business.

Take the fat out of mayonnaise, yoghurt and pizza cheese and replace it with something with fewer calories, without impairing the taste and textural characteristics of the original, and you were on to a winner, the industry realised. Since then the race has been on to find such a product.

In the light of the resources that have been thrown at the problem, it is perhaps surprising that Tate & Lyle's new entrant to the market – launched earlier this month – is nothing more complex than an acid-hydrolised starch. Stellar – the product's brand name – is a combination of water, maize starch and a hint of salt. Its origins lie in experiments conducted as long ago as the early 1970s when AE Staley, the US-based Tate subsidiary which developed it, was testing a new thickener.

Stellar's distinctly un-revolutionary nature may well be a positive boon to the company, since the compound meets US Food & Drug Administration regulations on the use of "food starch modified". This means it can immediately be used in a broad range of food products, without waiting for FDA approval.

Olestra – a combination of fatty acids and sugar developed by Procter & Gamble for a similar market – has been awaiting this official green light since 1987. Simplesse – a protein-based fat substitute developed by Monsanto's NutraSweet subsidiary – has been approved by the FDA for use in frozen dessert products. It is still waiting approval for use in other foods.

Stellar contains four calories per gram, as opposed to nine for fat. When sheared into creme the per gram calorie count falls to one

Maize starch must be exposed to two discrete but fairly simple processes to turn it into Stellar "creme" – Tate's flagship fat replacer. The first – hydrolysis – is performed at a Staley plant (the first commercial-sized installation is currently under construction at Loudon, Tennessee). The second – shearing – would take place on the food manufacturer's own premises.

What acid hydrolysis does is to break normally insoluble granules of starch (a glucose polymer) at their weakest points, rendering them partially soluble. "When you acid-treat the polymers you begin to turn them into sugars," says Trish Richmond, Staley's director of food ingredient research and development. "In Stellar, we have 70 per cent insoluble particles and 30 per cent soluble saccharides."

The tricky part is to regulate the variables in the process – namely time, temperature and level of acidity – so that exactly the right hydrolised starch is produced. This was the main technical breakthrough in the fat replacer's development. "Stellar is unique because we have learned to carefully control the manufacturing process to yield a specific, well-defined acid-modified starch," the company claims.

After drying, the product will then be sold to individual food processors as a white crystallite powder at a projected price of $2.50 (£1.50) per pound. In this form – as a carbohydrate – Stellar contains four calories per gram, as opposed to nine for fat. When sheared into creme, the form in which it is added to food products, the per gram calorie count falls to just one.

The shearing process exposes a mixture of Stellar and water to high pressure such that the crystallites become more thoroughly dispersed through the liquid and a so-called "particle gel" with fat-like properties is formed. A minimum pressure of 8,000 lbs per square inch is required. The company maintains, however, that processors will have little trouble obtaining the required results because precise regulation of the major variables is not necessary.

Tate holds out great hope for Stellar because its range of applications is exceptionally wide. The group says it has shown that the product can replace up to 75 per cent of fat in tablespreads, 96 per cent in baked goods and 100 per cent in salad dressings. It believes Stellar is suitable for most dairy products, including cheeses and ice cream.

The company thinks it also contributes to extending the shelf-life of certain products. "In the lab we have tried Danish pastries that were six weeks old," Richmond says.

What Stellar is not suitable for are food products made with the aid of high-temperature techniques such as retort or aseptic processing. These might include canned puddings or soups. "High-temperature processing melts the crystallites and turns the creme back into a syrup-like consistency," Richmond says.

Tate already has two fat replacement product lines in the form of Sta-Slim and Ultra-Freeze. However, they are suitable for a narrower range of applications than Stellar.

The group is shrewdly extracting much mileage in the potential $1bn US market by stressing that Stellar is "made from native corn". Other starch-bearing raw materials will do just as well, however. Sta-Slim, for example, is tapioca and potato-based.

Rival codes at breaking point

Two rival systems enabling computers to standardise the way they represent graphic characters from all the world's languages are heading towards a merger.

Unicode, supported by a group of powerful US computer companies, and 10646, a draft standard from the International Standards Organisation (ISO), have been battling to become the global system for coding the full range of national scripts such as Cyrillic, Arabic, Roman, and Kanji. They each aspire to be the single code that would replace the current generation of much smaller codes centred on particular languages, including the American standard, Ascii, and its derivatives.

A merger of Unicode and 10646 now seems likely after 10646 failed on its own to become an international standard in a ballot of standards bodies in 23 countries. Fourteen countries including the US, Canada, Sweden, France, China and the UK had rejected the code when voting ended at the beginning of June. However, many of these countries are said to be ready to change their minds if 10646 could be modified to incorporate features of its rival.

"Several of the 'no's' were quite specific in saying that they were voting no at least in part to encourage a merger between the two," says Jerry Anderson, IBM's representative on the technical committee which decided the US vote. "In a sense the votes aren't quite as negative as may be assumed from the result itself. They don't necessarily express a preference for Unicode."

ISO, which has spent seven years creating 10646, will consider a proposal to merge it with Unicode at a meeting in Geneva in August. If national delegates decide to model a new version of 10646 on the merger proposal, then a fresh ballot would be likely.

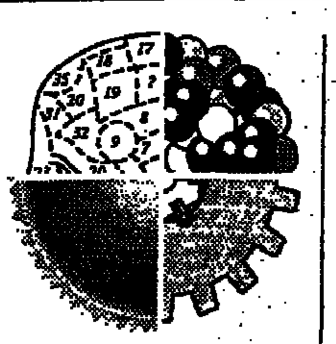
Merging the two codes would be technically difficult and both parties would probably have to compromise on basic design principles. But the fear of having two world standards may be enough to force these hard decisions through.

An agreed system for representing characters on computers is important for preserving the integrity of text sent electronically from country to country. At present, computers in each country use different codes centred on their own scripts. Many of these codes are only just big enough to hold their own alphabet, let alone anyone else's. Even when the codes have most characters in common – as in French, German and English – ambiguity can occur over special symbols such as accents and currency signs.

Both 10646 and Unicode use the latest technology to allow room for thousands more characters than previously possible. Unicode, backed by a consortium of 22 US companies including IBM, Digital, Apple, and Microsoft, is already available to computer manufacturers and may become a *de facto* standard if no official one is agreed soon.

"Unicode will move forward regardless of what happens. But that doesn't preclude us moving to a merger with 10646 in the future," says Mike Kernaghan, the consortium's vice president.

Ian Holdsworth



WORTH WATCHING

by Della Bradshaw

Computers talk up a storm

WHEN you have finished typing an important document, wouldn't it be nice for someone to read it back aloud so that you can check for spelling errors or other mistakes? Now your computer can perform the task.

A software package, developed by First Byte, of Santa Ana, California, can articulate text from PC spreadsheets, word processors or electronic mail packages. By proofreading in this way, Monologue can highlight misspelt words or misplaced decimal points.

The first technique used by Monologue, which is sold in the UK by Iansyst, of London, is to analyse the data and convert it into an intermediate phonetic language, complete with pitch and duration. The second stage uses special algorithms for merging the distinct elements into continuous speech, in either a male or female voice.

The £89 package can be used with an IBM or compatible PC with built-in speaker, or can be built into more complex equipment by systems designers.

● Talking computers are also coming to the rescue of the water industry, to prompt swift action in the case of pollution or flooding.

Datacall, of Bristol, has developed a PC-based software package which connects to the data collection systems used to monitor pollution. If one of the sensors transmits information on high levels of pollution back to the collection centre, Datacall's Speech Call-Out software turns the data into a spoken message. The PC automatically dials out to the relevant emergency number to relay the nature of the problem verbally.

Datacall believes the system could be used by industries which need early warning of accidents, or even of share price movements.

Fuel cell drives in the fast lane

RESEARCHERS from General Motors and the Los Alamos National Laboratory in California are to collaborate in a research project to develop a fuel cell system to power cars, vans and buses, writes Louise Kehoe.

The cell and processor system is designed to meet stringent auto emission standards which the state of California is expected to impose by the end of the 1990s.

The project aims to develop an integrated power unit, consisting of a fuel cell and a fuel processor. It will use methanol, a fuel derived from natural gas or coal, rather than petroleum.

The fuel cell will combine hydrogen gas with oxygen from the air, producing water and electricity. Since it is not practical to carry a supply of hydrogen gas in a vehicle, a fuel processor will be incorporated to convert methanol into hydrogen plus carbon dioxide. Methanol can be handled much like gasoline and is being used to a limited extent as a pollution-reducing gasoline additive.

Los Alamos will build the fuel processor and an integrated processor and fuel cell for testing. Preliminary estimates indicate that the cell will produce less than half the carbon dioxide as gasoline-powered vehicles.

Pump with a perfect flow

GRUNDFOS, the Danish pumps manufacturer, has broken into the world of electronics by developing a micro-electronic variable frequency controller, which can be built into the pump itself, writes Hilary Barnes.

The job of the frequency controller is to control the speed of the electric motor driving the pump.

Up to now, electronic controllers have usually been installed as separate systems placed next to the pump in cases about the size of a shoebox.

The Grundfos X99 micro frequency converter, which is about the size of a small bun, is integrated into the pump and the motor to form a single, compact unit.

Grundfos, which has its headquarters in the small Jutland community of Bjerringbro, says the gadget can be programmed so that the amount of water being pumped through a central heating system varies with the time of day and whether the building is being used.

Songs of the bamboo pulp

COMPACT discs and digital audio tape have revolutionised the sound of recordings. But the weak link in the listening chain is still the output device – the speakers.

Sharp, the Japanese electronics manufacturer, has turned to bamboo pulp in an attempt to develop speakers that do full justice to digital recordings.

Traditionally, paper has been used in speakers, but audio engineers at Sharp calculated that it only allowed the sound to travel at a speed of 1,500 metres per second. Using the pulp of bamboo leaves from Japan's northern island, Hokkaido, speeds of 2,220 were achieved. The pulp also worked well across all frequency ranges.

Sharp will use the speakers in radio cassette recorders and CD stereo systems.

Fishy business finds flavour

A FISHIER flavour is the promise of a range of seafood extracts developed in Brittany and preserved without the use of artificial flavourings, preservatives or salt.

Drawing on its expertise in the vanilla extraction business, Prova, which is headquartered in Montreuil-sous-Bois, on the outskirts of Paris, has developed a technique which, it claims, maintains the true flavour of the shrimp, salmon or sardine in a form which is stable and so does not deteriorate.

To begin with the seafood is ground and pressed. It is then mixed with specially selected solvents or enzymes which do not modify any of the molecules. The extract is then suspended in alcohol or turned into a water-soluble powder to form the Flavocean range.

Contacts: First Byte: US, 714 432 1740. Iansyst: UK, 071 607 5845. Datacall: UK, 0272 350031. Los Alamos: US, 505 667 7000. Grundfos: Denmark, 42 95 49 22. Sharp: Japan, 06 621 1221. Prova: France, 1 42 87 36 78. KWR: UK, 0256 810155.

Chilean copper miners vote to strike

By Leslie Crawford in Santiago

THOUSANDS OF miners at Chuquicamata, the world's biggest copper mine, have voted overwhelmingly to begin strike action on Monday, unless the Chilean state copper company Codelco improves its pay offer.

The strength of the vote has shaken Codelco's management and bolstered the bargaining clout of the powerful Copper Workers' Federation. On Wednesday's secret ballot – the first at Chuquicamata in 18 years – 6,191 miners, or 82 per cent of the membership of Unions One and Two, voted in favour of an indefinite stoppage. Union Three, which groups together another 1,200 miners, will vote on Sunday.

Mr Salvador Barrientos, a union leader at the mine, said the results showed that the miners had categorically rejected Codelco's pay offer and new two-year contract.

"The ball is now in Codelco's court. They have 96 hours to come up with a better offer," Mr Barrientos said.

The management at Chuquicamata said it was prepared to continue talking, but it warned the unions that there was simply no more money available.

The unions are demanding a 9.95 per cent pay increase, longer holidays, a shorter working week and better productivity bonuses. Codelco says it can afford only to keep miners' current pay in line with inflation. It is also offering a $1,000 no-strike bonus.

The resurgent militancy of Copper Workers' Federation has much more to do with politics than with straight-forward economic grievances. Codelco's miners are the best paid in Chile, earning on average $1,000 a month. But the unions, hounded during Gen Augusto Pinochet's 17-year dictatorship and forbidden to strike at Chuquicamata, complain that the restoration of democracy in Chile last year brought no changes to the authoritarian style of management at the Atacama desert mine.

Codelco, however, has resisted union pressures to fire Chuquicamata's long-serving general manager, Mr Holger Bannach. It says there will be no political witch-hunts inside Codelco.

There appears to be little room for compromise before Monday and every sign that Codelco is prepared to stand firm. Executives in Santiago say they have enough stockpiles to ensure that the stoppage will not disrupt shipments to customers.

Chuquicamata produces over 680,000 tonnes of refined copper a year – more than half of Chile's total and about 6 per cent of world output. Codelco says a strike at the mine will cost it $3m a day.

Codelco's room for manoeuvre is limited. Chile's largest company is struggling to remain competitive with aging and overmanned copper mines. It is under immense pressure to keep down costs, as its profits provide 25 per cent of the Chilean government's revenues.

President Patricio Aylwin said on Wednesday that his government would not intervene in the wage negotiations. He said he respected the miners' freedom to strike – a right restored only after Chile's return to democracy in March 1990 – but that he hoped the conflict would be resolved without disruption.

● The Codelco news came as no surprise to traders at the London Metal Exchange, where the cash copper price closed £8 lower at £1,372 a tonne.

Brazil ends orange juice export taxes

BRAZIL HAS abolished two export taxes on frozen concentrated orange juice, reports Reuters from Rio de Janeiro. But while the move will mean savings for orange growers it will not reduce FCOJ prices, industry officials said yesterday. "This will have no effect on the prices of our orange juice exports," an official in charge of FCOJ exports at the state Trade Co-ordination Bureau said. Nor would the move affect Brazil's market share, he added.

The country's National Monetary Council voted late on Wednesday to end a 1 per cent duty on FCOJ exports, in effect since 1983. The council also voted to eliminate a separate countervailing duty of 3.5 per cent on exports of FCOJ to the US that had been in effect since 1985.

The elimination of the export duties on one of Brazil's top agricultural exports was effective immediately but in practice would apply only to the new harvest year, which begins on July 1, the trade official said.

Mr Jose Carlos Goncalves, president of the Brazilian Association of Citrus Juice Industries, said the elimination of the two taxes would mean savings for growers of about 20 US cents per 40.8 kg box.

Brazil is the world's largest exporter of FCOJ with about 80 per cent of the international market. Mr Goncalves estimated that it would export an estimated 900,000 tonnes in 1991-92, up from 760,000 tonnes this year. He added that exports next year were expected to bring in about $1.2bn, up from $1bn this year, he said.

With FCOJ exports totalling $1.2bn, elimination of the 1 per cent tax worked out at a savings of $12m, Mr Goncalves said. And with exports to the US expected to total $300m, elimination of the 3.5 per cent tax would mean an additional savings of $10.5m.

EC reform plan should clear way for Gatt deal

David Gardner on the revised agricultural strategy

THE EUROPEAN Commission's radical plan to reform the Common Agricultural Policy should bring the EC's structural over-production of farm produce under control. The proposals, presented to the Commission by Mr Ray MacSharry, EC agriculture commissioner, on Wednesday, should also open the way to agreement in the Uruguay Round world trade liberalisation negotiations, hung up on the issue of subsidised farm exports.

The reform, which if approved by the member states should be operational by 1993, will cost an estimated Ecu4.8bn ($5.5bn) more than next year's planned Ecu34.7bn ($40bn) farm budget. But this is the rise in 1993-96, the three years it takes to phase the reform in. After early 1996, it will cost less than the "guideline" budget system now used – if spending on east German farms is included. And by 1997 the new policy should be some Ecu4bn less than projected expenditure extrapolated from the trend of the last decade.

The plan is philosophically the same as an earlier blueprint, which called for the deepest farm price cuts the EC has ever contemplated, with full compensation to small farmers and scaled recompense to large farmers, contingent on their taking large swathes of land out of production.

That blueprint was greeted with fierce opposition from farm lobbies and EC agriculture ministers when it leaked in January. The main controversy was over its heavy weighting towards small-scale farming and apparent penalising of the fifth of big, efficient producers.

But while the cuts in farm prices now proposed are almost as severe, they are distributed more evenly and compensation levels are significantly higher. Environmental measures are more concrete and the new plan contains innovations like the possibility of interest-paying bonds for farmers seeking early retirement.

Details of the plan, which began leaking out late on Tuesday, suggest it would halve EC cereals exports as prices are driven down towards world market levels. Output of beef, milk, lamb and tobacco should also be cut sharply.

It appeared last night that CAP reform had been taken off even the informal agenda of the Luxembourg summit of EC leaders which starts today. But Brussels is expected to approve the final details of the plan on July 10, and it is likely to be discussed at the Group of 7 summit in London on July 15-17. The Council of EC farm ministers should get their first chance to pick it apart in detail shortly afterwards.

The main features of the plan are:

● CEREALS: Subsidised prices to be cut, over three years, by some 35 per cent to about Ecu100 a tonne. All farmers will receive full compensation for the cuts, making this the most expensive part of the plan.

Mr MacSharry: Philosophy of original plan remains

But the "set aside" provisions are much modified. Farms over 50 hectares would have had to take 35 per cent of their land out of production to receive compensation under the previous plan. Now, in rough terms, farms under 20 hectares are exempt; those from 20 to 50 hectares must set aside 15 per cent but will be compensated; and farmers with more than 50 hectares must make fallow 15 per cent of their land too, but without compensation. This year's farm price package incorporated a 15 per cent set aside option for farmers wanting exemption from the doubled, 6 per cent production tax or co-responsibility levy. Take-up is so far looking good.

This "modulation" has been remodulated to take account of differing regional yields. The farm sizes fixed are based on average EC sizes. But the real measure used for compensation is not hectares but previous tonnage produced, which on average throughout the EC has been 92 tonnes per year for a 20 hectare farm. Thus a larger farm with lower than this average yield will get higher compensation.

This goes a long way to compensating medium-sized farms, which did badly under the previous plan. But it is unlikely to satisfy, say, the 100 hectare farmers on the fringe of the rich Paris Basin, where yield is low but size is still too high.

Technically, experts say the cereals chapter of the plan could cost much more if world prices fell below the Ecu100 a tonne reference its sets. But most expectations are that the reduced production it would bring – taking about 15m tonnes of EC grains off the world market – would help prices to firm. The underlying assumption here is that the reform would lead to a Uruguay Round accord and the EC's trading partners also disarming their farm subsidies.

● MILK: The milk quotas of all member states would be cut by 4 per cent. But 1 per cent can be given back to those producing less than 200,000 litres. And there is to be a generous scheme for farmers getting out of dairy farming.

The lower cost of feed grains will also benefit livestock farmers. Environmentalists maintained that this would encourage more intensive farming, at the expense of grass-fed cattle farming on larger areas. Thus, extensive farmers, raising 2 head per hectare, will be paid an Ecu75 premium a head for the first 40 cows.

● BEEF: Price cuts of 15 per cent; but two thirds of this should be covered by lower feed prices. There will be a similar extensification premium of Ecu60 a head for the first 90 cows. There will also be special premiums for slaughtering or exporting calves, in order to lower production.

● SHEEPMEAT: Quotas would be introduced for the first time, aiming to freeze herds at 1990 levels. The size of herds eligible for premiums would drop from 500 to 350 generally, and from 1,000 to 750 in less favoured areas.

The structural measures to soften the blow of the reform have been fleshed out and reinforced.

Grants to farmers – or anyone else – using farmland for forestry purposes will be increased by two to four times, and for periods of up to 20 years. Much more money will be available for farmers cutting fertiliser input and for looking after the countryside as in Environmentally Sensitive Areas.

A new early retirement scheme for farmers in the 55-65 age bracket – about half EC farmers – provides for payments of up to Ecu10,000 a year. Farmers could also choose full payment in interest-paying bonds for the whole period before they entered a state pension scheme.

This sort of expenditure would be made possible by huge savings on export subsidies and intervention stocks. The mountains of food now in storage, for example, cost the CAP budget nearly $9bn, about two thirds of which is lost permanently through depreciation. One of the greatest boons of the plan if it emerges at all intact from the Council of Ministers, is that those food mountains would finally be eliminated.

Irish zinc deposit among Europe's biggest

By Kenneth Gooding, Mining Correspondent

IRELAND NOW seems certain to provide one of the world's substantial new sources of zinc in the second half of the 1990s. The joint venturers involved in the Lisheen project in County Tipperary announced yesterday that their latest drilling results showed that it was one of the three largest base metals deposits to be discovered in western Europe in the last 20 years.

They said the deposit had an indicated resource of 9.3m tonnes of ore containing an estimated 12.8 per cent zinc, 2.2 per cent lead and one troy ounce a tonne of silver. Analysts said this would be more than enough to support a US$100m underground mining operation.

Further intensive exploration work is going on. "I would be very surprised if they don't find at least 12m tonnes or ore in the 'pod' they are exploring now and there are signs of more ore pods in the vicinity," said Mr Jim Crombie, analyst at James Capel, brokers to Ivernia West, the Dublin and London-quoted company, which is one of the joint venturers and is responsible for the exploration work undertaken so far.

Ireland's potential to fill the gap left by western Europe's rapidly-declining zinc output was established last year when Conroy Petroleum, a USM-quoted company, announced that a full feasibility study showed the 6.5m tonnes of ore it had identified would support a mine for ten years. Conroy is currently going through the planning processes and has slowed exploration nearly to a halt. But it believes there is more ore to be found on its property.

Significantly, the Conroy project, at Galmoy, straddling the border of counties Kilkenney and Laois, is only 8 km (5 miles) away from the Lisheen discovery.

Analysts said it would make sense for the two projects to be developed as one. In particular, there would be hefty savings if they shared one processing plant to produce metals in concentrates. However, Mr David Hough, managing director of Ivernia, said there had been no talks between the two Irish companies or any overt pressure yet from the Irish authorities to push them together.

The Irish projects have already attracted attention from some of the mining industry's giants. Outokumpu, the state-owned Finnish group, owns 29.4 per cent of Conroy and nearly 25 per cent of Ivernia West. It already owns the Tara lead-zinc mine in Ireland, western Europe's biggest. Minorco, the off-shore investment vehicle of the Anglo American-De Beers group of South Africa holds 17 per cent of Ivernia.

Ivernia's partner in the Lisheen venture is Chevron Mineral Corporation of Ireland, a subsidiary of the US oil group. Ivernia was given the chance of earning 47.5 per cent of the Lisheen project and Chevron's other Irish exploration acreage by spending US$2.5m in the three years from December, 1988. Mr Hough said the money would be spent by August this year, much of it on diamond drill holes – 77 have been sunk so far, to depths of 250 metres, each costing about $10,000, including assay work.

Once Ivernia had earned its 47.5 per cent, he said, operational management would revert to Chevron and the partners would between them spend about £5m more on exploration at Lisheen by the end of next year. If all went well it was reasonable for them to aim to start developing a mine by the end of 1993.

Analysts cautioned that there were big risks associated with any mining venture. For example, Mr Emil Morfett, of Smith New Court, said: "While I feel very positive about the Lisheen project, there is still a lot of work to be done. The drill holes so far have been pretty widely spaced and the ore body might turn out to be more complex than it looks so far. Also no metallurgical work has been done to see how difficult it might be to extract the metal from the ore."

Indian sugar industry calls for national buffer stock

By Kunal Bose in Calcutta

THE INDIAN sugar industry wants the government to finance buffer stock purchases to mop up the large production surplus that is expected this season. The industry's main problem at present is the management of surplus, according to Mr Om Dhanuka, spokesman for Indian Sugar Mills Association; and this, he says, is a problem that can only be solved with the assistance of the government.

"The country is likely to end the 1990-91 (October to September) sugar season with total production of 12m tonnes, taking total availability to 14.2m tonnes, including the 2.2m tonnes brought forward from last season. Meanwhile consumption, including sanctioned exports of 400,000 tonnes, is expected to amount to only 11.1m tonnes.

With the present depression in world prices making exports an unattractive option, the industry is trying to prevail upon the new government of Mr Narasimha Rao to create a buffer stock of up to 1.5m tonnes out of the projected 3.1m tonnes surplus. And export bodies have warned that a permanent buffer stock may have to be maintained if India is to sustain its recent increase in sugar production.

The industry wants the government to buy sugar for the buffer stock and to maintain it at its own expense, thus helping to clear Rs6.5bn (£191m) debt owed to sugar-cane farmers. According to Mr Dhanuka, mills all over the country have failed to clear cane bills because sugar prices have not kept pace with the rise in cane prices.

The price of sugar-cane which accounts for about 65 per cent of the total cost of sugar production, has increased by more than 40 per cent in the last two years.

A particularly worry for the industry is that continued failure to pay growers' bills will result in large-scale diversion of land from cane to other crops. A similar situation seven years ago resulted in 1983-84 sugar production falling to 5.92m tonnes from 8.23m tonnes in the previous year.

The industry and the farmers' organisations believe that a buffer stock of 1m to 1.5m tonnes could be created quite quickly by drawing resources from the sugar development and sugar equalisation funds.

As Mr Dhanuka explained, the necessary infrastructure and financial resources are already available for the creation of a buffer stock.

WORLD COMMODITIES PRICES

MARKET REPORT

Grain and soyabean prices were falling in early trading in Chicago yesterday under a barrage of fund account and commission house selling. A bearish tone pervaded the trading floor as participants sold the markets after a forecast for crop-supportive weather in the Midwest by next week. According to the National Weather Service, maize and soyabean crops will get a reprieve from hot, dry conditions as a cooler, wetter trend moves in. A selling frenzy overtook maize and soyabean futures and spilled over into wheat, observers said. On the London Metal Exchange aluminium edged ahead again on short-covering. Reduced fears of an imminent arrival of a large quantity of Soviet aluminium into LME warehouses aided the trend, traders said. Zinc closed steady after three-month metal failed to break through the $1,080 a tonne level. If the resistance band is broken a move up to $1,100 is expected. Gold made a half-hearted attempt to push below $364 a troy ounce, but recovered to close on the London bullion market at $365.50, down $1 on the day. Operators were reluctant to take fresh positions. But the market might now be consolidating for a further slow push on the upside towards resistance in the $370 area, dealers said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.35-5.40z	+.10
Brent Blend (dated)	$18.00-8.10	-.05
Brent Blend (Aug)	$18.40-8.45	+.075
W.T.I. (1 pm est)	$20.20-0.30z	+.125
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$239-241	
Gas Oil	$178-179	+3
Heavy Fuel Oil	$63-65	-1
Naphtha	$185-187	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$365.5	-1.0
Silver (per troy oz)♣	437.5c	+1.5
Platinum (per troy oz)	$374.55	+0.05
Palladium (per troy oz)	$96.20	-1.05
Aluminium (free market)	$1300	+5
Copper (US Producer)	108c	+1
Lead (US Producer)	34c	
Nickel (free market)	390c	
Tin (Kuala Lumpur market)	16.45r	+0.05
Tin (New York)	266.0c	+2.0
Zinc (US Prime Western)	62c	
Cattle (live weight)†	109.23p	-2.55*
Sheep (dead weight)†	118.66p	-11.7*
Pigs (live weight)†	72.48p	-13.9*
London daily sugar (raw)	$263.0x	+7.0
London daily sugar (white)	$311.0x	+5.0
Tate and Lyle export price	£271.5	+4.0
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£183.0u	
Wheat (US Dark Northern)	£100.0	
Rubber (Aug)♥	65.75p	
Rubber (Sep)♥	66.25p	
Rubber (KL RSS No 1 Jul)	232.0m	-1.5
Coconut oil (Philippines)§	$317.5y	
Palm Oil (Malaysian)§	$322.5y	
Copra (Philippines)§	$270x	+10
Soyabeans (US)	£165	-1
Cotton "A" Index	83.50c	
Wooltops (64s Super)	394p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Jul/Sep u-Jul x-Jul/Ag y-Aug/Sep z-Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	236.00	231.00	232.20 229.00
Oct	194.80	201.00	201.80 195.00
Dec	198.20	194.00	191.00
Mar	185.20	192.00	191.80 189.20
May	186.20	194.00	193.00 192.00
Aug	189.20		196.00
Oct	190.20		197.00
White	**Close**	**Previous**	**High/Low**
Aug	306.9	305.1	308.5 302.0
Oct	269.9	272.1	271.0 268.2
Mar	262.9	267.1	265.0 261.5
May	262.6		263.3 261.5
Aug	268.5		270.0 268.0

Turnover: Raw 766 (1066) lots of 50 tonnes. White 1109 (1308)
Paris- White (FFr per tonne): Aug 1863, Oct 1654.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Aug	18.49	18.33	18.50 18.36
Sep	18.63	18.47	18.66 18.51
Oct	18.84	18.66	18.84 18.70
Dec	19.00	18.83	19.00 18.85
Jan	18.94		18.94 18.82
IPE Index	18.31	18.29	

Turnover 19790 (20615)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jul	172.50	169.50	172.50 169.75
Aug	173.25	170.25	173.25 170.50
Sep	175.00	172.25	175.00 172.00
Oct	177.00	174.25	177.00 174.75
Nov	179.25	177.00	179.25 176.75
Dec	180.00	177.75	180.00 177.75
Jan	176.75	175.00	177.50 176.00
Feb	173.25	172.00	173.50 173.00
Mar	168.75	167.00	168.75 168.50

Turnover 18300 (17359) lots of 100 tonnes

INDICES

REUTERS (Base: September 18 1931 = 100)

Jun 27	Jun 26	mnth ago	yr ago
1777.8	1778.5	1711.8	1862.9

DOW JONES (Base: Dec. 31 1974 = 100)

	Jun 26	Jun 25	mnth ago	yr ago
Spot	129.39	129.30	126.37	131.07
Futures	125.94	125.90	126.94	130.97

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	577	583	578 570
Sep	609	612	611 604
Dec	651	652	652 646
Mar	691	692	692 687
May	714	715	715 709
Jul	736	737	736 735
Sep	757	759	756

Turnover: 5084 (7964) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 26 774.03 (771.90) 10 day average for Jun 27 788.75 (788.74)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jul	539	540	544 536
Sep	584	586	570 584
Nov	589	589	593 588
Jan	611	610	613 612
Mar	629	628	629

Turnover: 9845 (7072) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 26 : Comp. daily 66.34 (66.36). 15 day average 65.54 (65.56)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Mar	111.0	111.5	111.0
Apr	107.8	108.0	108.0 107.5

Turnover 139 (418) lots of 40 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Aug	135.00		
Oct	136.00		

Turnover 0 (35) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jul	1615	1615	1620 1600
Oct	1658	1665	1660 1650
Jan	1650	1665	1650 1645

Turnover 200 (249)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Sep	112.65	112.80	112.70 112.55
Nov	115.60	115.70	115.60
Jan	119.25	119.60	119.50 119.30
Mar	122.75	123.10	122.80
Barley	**Close**	**Previous**	**High/Low**
Nov	114.60	114.75	114.60
Mar	120.70	121.10	120.75

Turnover: Wheat 133 (171), Barley 30 (72). Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	100.0	105.0	102.0 100.0
Aug	102.0	105.0	101.0

Turnover: 38 (64) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Sep	142.00	142.00	142.00	141.50	157

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 12,220 lots
Cash	1309-10	1290-3	1299	1298-9		
3 months	1340-1	1323-5	1352/1328	1330-1	1351-2	91,457 lots
Copper, Grade A (£ per tonne)						Total daily turnover 23,021 lots
Cash	1371-3	1379-81	1381/1375	1381-1.5		
3 months	1386-6.5	1388-9	1393/1385	1390.5-1.5	1387-8	131,287 lots
Lead (£ per tonne)						Total daily turnover 2,317 lots
Cash	341.5-2.5	342.5-3.5	339.5/339	339.5-40		
3 months	347-7.5	348-8.5	348/345.5	346-6.5	347-8	18,818 lots
Nickel ($ per tonne)						Total daily turnover 2,146 lots
Cash	8365-75	8370-5	8380	8375-80		
3 months	8350-60	8380-70	8380/8348	8350-5	8355-60	13,446 lots
Tin ($ per tonne)						Total daily turnover 985 lots
Cash	5875-85	5860-5		5715-20		
3 months	5760-70	5750-5	5810/5760	5800-10	5795-800	7,457 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 11,224 lots
Cash	1065-7	1065-7	1067/1063	1064-6		
3 months	1073-5	1075-7	1078/1070	1071.5-2	1076-7	27,930 lots

LME Closing £/$ rate: SPOT: 1.6330 3 months: 1.6154 6 months: 1.6000 9 months: 1.5860

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	365.30-365.70	
Opening	365.30-365.70	
Morning fix	365.30	223.384
Afternoon fix	364.60	223.092
Day's high	365.60-366.00	
Day's low	364.10-364.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.40	6 months	5.35
2 months	5.39	12 months	5.32
3 months	5.37		

Silver fix	p/fine oz	US cts equiv
Spot	266.60	435.50
3 months	274.00	442.00
6 months	281.15	449.00
12 months	295.60	465.85

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	365.00-368.00	223.25-223.75
Maple leaf	374.00-375.00	228.75-229.25
New Sovereign	87.00-88.00	53.25-53.75

TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
550	27	55	13	17
600	8	28	44	40
650	2	14	88	78
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
550	63	107	4	6
600	26	69	19	18
650	10	40	51	39

Brent Crude	Aug	Sep	Aug	Sep
1850		50		55
1900	10	32	10	95
1950		21		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	366.0	366.0	0	0
Aug	367.9	367.9	368.4	366.0
Oct	371.3	371.3	371.9	369.8
Dec	374.9	374.9	375.5	372.9
Feb	378.4	378.3	378.0	377.1
Apr	381.9	381.8	0	0
Jun	385.4	385.3	0	0
Aug	389.1	389.0	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	373.2	374.0	374.0	371.5
Oct	378.5	378.9	379.2	377.0
Jan	383.0	383.5	383.5	382.0
Apr	387.0	387.5	388.0	386.0
Jul	391.0	391.5	392.0	390.0
Oct	398.8	0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	438.5	435.5	439.0	431.0
Aug	440.8	436.1	440.0	439.0
Sep	443.8	441.1	444.0	437.0
Dec	451.6	449.1	452.0	445.0
Jan	453.7	451.2	0	0
Mar	460.1	457.5	460.5	455.0
May	465.9	463.2	0	0
Jul	471.7	468.9	470.0	468.5
Sep	478.3	475.4	0	0
Dec	488.4	485.4	486.5	484.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	100.10	102.05	101.95	0
Aug	99.60	101.45	101.20	99.70
Sep	99.10	100.60	100.70	99.00
Oct	98.50	100.05	0	0
Nov	97.90	99.50	0	0
Dec	97.40	98.95	99.00	97.60
Jan	96.85	98.40	98.20	97.25
Feb	96.35	97.90	0	0
Mar	95.80	97.35	97.20	96.00
Apr	95.35	96.90	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	112.05	112.85	113.00	112.05
Sep	115.00	115.40	115.40	114.05
Nov	115.05	115.55	115.50	115.00
Jan	115.00	115.40	115.50	114.75
Mar	115.10	115.70	115.60	115.10

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	20.03	19.94	20.04	19.99
Apr	19.95	19.87	19.93	19.92

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	5460	5371	5460	5400
Aug	5500	5425	5500	5450
Sep	5630	5565	5630	5595
Nov	5855	5796	5855	5820
Dec	5945	5889	5945	5915
Jan	5960	5909	5965	5925
Apr	5400	5354	5400	5390

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	891	885	900	883
Sep	933	933	944	930
Dec	985	982	993	983
Mar	1031	1026	1038	1030
May	1059	1053	1067	1056
Jul	1089	1084	0	0
Sep	1114	1109	0	0
Dec	1154	1149	0	0
Mar	1194	1189	0	0
May	1221	1216	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	84.30	86.70	87.00	84.30
Sep	85.70	88.20	88.60	85.50
Dec	89.10	91.65	91.90	89.05
Mar	92.35	94.95	95.00	92.50
May	94.90	97.40	97.20	94.90
Jul	97.45	100.50	99.25	97.25
Sep	97.95	101.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	10.65	10.40	10.72	10.30
Oct	8.69	8.91	8.97	8.64
Mar	8.44	8.70	8.70	8.40
May	8.44	8.74	8.67	8.42
Jul	8.46	8.75	0	0
Oct	8.59	8.85	8.59	8.59

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	76.99	77.60	78.60	76.80
Oct	76.90	77.33	77.60	76.70
Dec	73.96	74.36	74.36	73.78
Mar	74.70	75.10	75.10	74.66
May	75.10	75.46	75.35	75.06
Jul	75.45	75.78	75.65	75.56
Oct	70.20	70.40	70.60	70.60

FRUIT & VEGETABLES

Plums from Spain are abundant this week at 55-80p a lb (80p-£1.30), reports the FFVIB. Mangoes remain a good fruit buy at 75p-£1.25 each (75p-£1.25), along with watermelons at £1.50-2.00 each (£1.50-2.00) New season English carrots are this week's best vegetable buy at 28-35p a lb (32-40p). Spring greens at 25-45p a lb (25-45p), mushrooms at 60p-£1.10 a lb (60p-£1.10) and cauliflower at 50-65p each (55-75p) are all plentiful. Iceberg lettuce is available at 40-65p each (50-75p), tomatoes at 45-65p a lb (60-65p) and Spring onions at 25-30p a bunch (25-30p).

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Nov	580/2	571/2	588/4	559/4
Jan	570/6	581/0	578/0	570/4
Mar	581/2	590/4	588/4	581/0
May	590/0	600/0	596/4	590/0
Jul	597/0	606/0	602/0	597/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	19.15	19.39	19.34	19.08
Aug	19.31	19.58	19.50	19.25
Sep	19.52	19.78	19.69	19.45
Oct	19.67	19.97	19.87	19.60
Dec	20.02	20.31	20.22	19.95
Jan	20.15	20.47	20.40	20.12
Mar	20.42	20.83	20.55	20.42
May	20.67	21.10	21.02	20.67
Jul	20.85	21.30	20.95	20.85

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	167.8	171.3	170.8	167.8
Aug	168.7	171.8	171.7	168.5
Sep	169.8	171.8	171.5	169.2
Oct	169.6	171.9	171.2	169.0
Dec	169.9	172.6	172.0	169.6
Jan	170.8	174.0	172.5	170.8
Mar	172.5	175.3	175.0	172.5
May	173.2	176.5	176.5	173.0
Jul	175.0	180.0	178.0	175.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	231/8	237/2	236/2	231/2
Sep	232/6	237/2	235/6	232/0
Dec	235/4	240/0	238/0	234/4
Mar	243/0	248/0	246/0	242/4
May	248/6	253/0	251/4	248/2
Jul	253/4	257/4	255/6	252/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	265/0	273/0	271/4	264/4
Sep	275/2	281/4	280/0	275/0
Dec	288/6	294/0	292/4	288/4
Mar	295/0	300/2	299/2	295/0
May	292/4	294/0	295/0	292/4
Jul	284/6	287/0	291/0	284/6

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	72.05	71.90	72.30	71.85
Oct	74.60	74.32	74.77	74.22
Dec	75.77	75.50	75.92	75.40
Feb	75.35	75.12	75.60	75.15
Apr	75.67	75.50	75.87	75.60
Jun	73.85	73.75	73.90	73.70

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	54.90	54.55	54.97	54.52
Aug	51.55	51.27	51.62	51.30
Oct	46.02	46.05	46.30	45.92
Dec	46.27	46.22	46.40	46.15
Feb	45.95	45.95	46.00	45.77
Apr	44.10	44.30	44.35	44.10
Jun	48.05	48.30	48.25	48.00

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	52.80	52.55	53.95	52.70
Aug	49.02	48.62	49.97	48.95
Feb	50.57	50.57	51.70	50.45
Mar	50.05	50.05	50.90	50.05
May	50.50	51.00	51.20	50.50
Jul	51.70	51.70	0	0

PRICES EXCLUDE ROAD TAX, DELIVERY AND NUMBER PLATES. PRICES CORRECT AT TIME OF GOING TO PRESS.

LONDON STOCK EXCHANGE

Equities above FT-SE 2,450 again

THE UK stock market staged a somewhat technical rally yesterday as the approaching close of the equity trading account prompted professional traders to pick up stock to fulfil selling orders placed during Wednesday's sell-off.

Encouraged also by the Bundesbank's decision to leave German rates unchanged, London equities were led higher by a firm index futures sector, and surpassed the FT-SE 2,450 level, albeit by only a couple of points. The final support came from Wall Street, which gained 10.5 Dow points in London hours.

Dealers sounded somewhat unconvinced by yesterday's recovery of 15.2 to 2,452.5 in the FT-SE Index. Share prices opened cautiously after Tokyo's fall overnight and it was not until the June futures contract on the FT-SE Index moved above 2,450 that the underlying cash market turned higher. The futures market was trading technically as leading securities houses positioned themselves ahead of the expiry today of the June Footsie contract. Previously, this expiry has caused some turbulence in equity trading.

Account Dealing Dates		
*First Dealings:		
June 17	Jul 1	Jul 15
Option Declarations:		
Jun 27	Jul 11	Jul 25
Last Dealings:		
Jun 28	Jun 12	Jul 26
Account Day:		
Jul 8	Jul 22	Aug 5

*New-time dealings may take place from 9.00 am two business days earlier.

The stock market peaked early yesterday with a gain of 17 at Footsie 2,454.4. By mid-session, the market was struggling to hold 2,450 in poor turnover and it was not until New York came in firmly that London began to climb again. Gains were trimmed at the close when the Dow lost some of its earlier gain.

Seaq volume was higher, at 544.8m shares compared with 500m in Wednesday's sell-off. Traders said that yesterday's market saw only light demand for shares, often from the same clients who had been selling in the previous session.

Stock Exchange data disclosed that on Wednesday retail, or customer, volume in equities was worth only £858.7m, a fairly modest figure which suggests that the institutions were not heavy sellers as the market plunged below the FT-SE 2,450 mark.

On the broader question of whether the stock market can re-establish itself convincingly above Footsie 2,450, equity strategists sounded uncertain. At Barclays de Zoete Wedd, Mr Bill Smith commented that the stock market remains sensitive to the flow of rights issues – there were hints that more rights issues were pending yesterday – and to the continuing flow of corporate profits downgrades from City analysts.

The London market had to face more bad news from British companies yesterday. In the banking sector, TSB reported a substantial loss for the half year, while on the industrial front Ford Motor reduced working hours at its plant in Halewood, north England, in the face of the deteriorating market for new cars.

The UK stock market is now also unsettled by trends on other world equity markets. The recent heavy fall in Tokyo stocks in response to growing scandals in the Japanese securities industry has raised fears that Far Eastern funds might become sellers of stock in London, as well as in other global centres.

Hopes for further reductions in UK base rates in the near term have receded somewhat as attention has turned first to the currency markets in the wake of last weekend's meeting of the Group of Seven Finance Ministers and then to nervousness over the outlook for German interest rates.

Confidence regarding German rates was helped yesterday by comments from the outgoing president of the Bundesbank on the outlook for the troubled economy of east Germany.

Big ADR trade in Hanson

THE EQUIVALENT of about 5 per cent of the equity of Hanson moved through the London market yesterday in a technical trade apparently structured to avoid tax charges. The business was in American Depositary Receipts (ADRs), the vehicle by which UK shares are held in the US.

Dividends from ADRs are paid net of UK withholding tax, for which not all shareholders are liable. Some securities houses have designed strategies to mitigate tax charges on ADR holdings, but there are tax rules intended to prevent avoidance.

At least three securities houses, on both sides of the Atlantic, are believed to have turned down the opportunity to conduct yesterday's deal, after legal advice.

London was chosen because of the relative ease of putting through such a large trade.

Hanson's price in London recovered 2¼ to 204p on turnover of 8.8m shares. Trading screens recorded volume of 101m ADRs; five Hanson shares are packaged into one ADR, making the value of the ADRs traded some $1.7bn (£1.04bn).

Activity in BPB

A rights issue, reduced profits and cuts in analysts' forecasts all hit BPB (formerly British Plaster Board) prompting a fall of 12 to 187p against the market on a turnover of 5.5m shares – high for the stock on a thin trading day in the sector.

Marketmakers said most of the deals were small trades on behalf of private investors and the stock saw good two-way business. There had been previous speculation of a rights issue but the timing of the one-for-five cash call at 155p a share surprised the market and had not been reflected in the price change of the previous day. Mr Donald Anderson of securities house Hoare Govett said: "BPB was moving into a period of fairly good cash flow and there had previously been better opportunities to do it."

BPB announced a fall in profits for the year to March 31 to £90.8m from £126.4m. Securities house Smith New Court lowered its 1991/92 profits forecast to £55m from £94m and its earnings per share prediction to 8p from 12p. Kleinwort Benson dropped its 1991/92 forecast by £20m to £55m.

Rothman International rose to its second 1991 high in a row after revealing full year profits 12 per cent higher at £543m. Analysts quickly upgraded their estimates for the current year, with Hoare Govett moving from £555m to £620m. Hoare added that such was the cash flow from the business that Rothmans would have £1bn to spend on acquisitions by the end of 1991.

The shares ended at the day's best of 980p for an advance of 45. Turnover of 1m was the highest since January in this thinly traded stock.

The rise in Rothmans helped fellow tobacco producers BAT Industries and Dunhill. Their shares climbed 8 to 728p and 6 to 462p respectively.

Reassuring half-year figures from Lonrho were accompanied by an upbeat statement from the company. "Given steady commodity prices (platinum, rhodium, gold, sugar, etc.) the outlook for the whole year is encouraging," it said. The stock put on 6 to 146p.

Insurance broker Willis Corroon climbed 11 to 309p in good trading. There was vague talk that a US insurer had bought a stake but this was quickly dismissed. Traders eventually blamed the share price rise on a stock shortage exacerbated by bargain hunters moving in after recent falls. Sedgwick was caught up in the mood and added 4 at 266p.

Most of TSB's first-half loss of £150m had been discounted by the market and the shares slipped 1½ to 143p in steady turnover of 4.5m.

Early trades left the market flush of Royal Insurance stock. The price drifted 4 lower to 426p in lacklustre turnover.

Construction and aggregates group Beazer continued the slide prompted earlier in the week when it announced it would have to float 100 per cent of its European businesses to reduce borrowings. The shares closed 6 down at 83p.

South of England housebuilder and commercial property developer Countryside Properties dropped 15 to 95p after announcing it would be raising some £20.5m through a two-for-three rights issue at 88p a share.

Structural steel specialist Graham Wood lost 4 to 66p on the back of full year profits that were halved to £821,000. The chairman said it was "difficult to be optimistic of any upturn in the UK affecting the group during 1991/92".

ADT dropped 61 to 613p on suggestions that the company may be poised to issue a profits warning. There was also widespread speculation that it was about to make a rights issue and use the proceeds to bid for the security division of Lep Group, which rose 5 to 95p.

Storehouse held steady at 102p as the company made a series of presentations to fund managers. Dealers said they were waiting for an indication on recent trading levels, particularly the effect of the poor summer weather on sales.

Burton fell 4 to 46p as 3.9m shares changed hands on renewed suggestions that it is poised to make a rights issue. However, now that the shares are below the 50p par value, it would be difficult for the company to issue fresh equity.

Sears edged down slightly on suggestions that Barclays de Zoete Wedd had reduced its current year forecast by £13m to £85m, and by £14m to £102m for next year. The stock lost ¼ at 74p on turnover of 9.5m.

Tate & Lyle was unchanged at 375p with the shares underpinned by widespread speculation that the company is close to winning control of Bundaberg, the Australian sugar concern. But Tate was kept on the defensive by suggestions that it may be about to make a $150m Euro-convertible issue.

Argyll was up 2 at 288p following a presentation by the company at brokers Henderson Crosthwaite. Kwik Save firmed 2 to 596p on positive comment from Henderson.

An emphatic buy recommendation from Smith New Court for Manchester United, the company which it helped float on the stock market earlier this month, enabled the shares to recover a small proportion of the ground lost since its debut. The price added 5 at 286p.

Bristol Evening Post slipped 4 to 295p after publishing full year profits down 40 per cent at £4.8m.

The announcement that brewer Joseph Holt was to enter the FT-Actuaries index and rival Burtonwood to leave it sent their respective shares in opposite directions. Holt jumped 97 to 1920p and Burtonwood slid 16 to 117p in anticipation of index tracking funds changing their holdings. Sidlaw, which is involved in textiles, oil services and packaging and is to join the FT-A oil index, gained 8 to 181p.

Rolls-Royce picked up 2 to 155p ahead of an analysts' visit to the company's Derby plant today and news that its joint venture company, Cooper Rolls, had won orders in the UK and Canada worth $60m (£36.5m). Dowty gained 7 to 194p in front of results expected on Monday.

Siebe continued to gain ground following a visit by analysts to the company's US subsidiary, Foxboro, earlier in the week. The shares were up 3 to 451p. Steel and plastics group Arthur Lee was flat at 88p after revealing a slump in first-half profits to £323,000 from £2.72m last year.

TGI was down 4 to 29p, reflecting deepening full year losses and no dividend. The audio and electronic products group lost £800,000, against £100,000 last year. The chairman, Mr Norman Crocker, said problems at two subsidiary companies had led to the disappointing set of results.

An announcement by Amstrad (up ½ at 54½p) on Wednesday that it would be writing off £20m in profits because of problems with its PC2000 computer focused attention on the prospects for the sector. Cazenove, which never comments on market trading, was reported to have reduced its 1991 profits forecast for Hawker Siddeley by £10m to 140m and the shares weakened 13 to 540p.

Hawker was also one of a basket of 12 stocks which Hoare Govett analyst Mr Jim Ross reassessed yesterday. Among them were BICC (a penny easier at 427p) and Ferranti (flat at 10p).

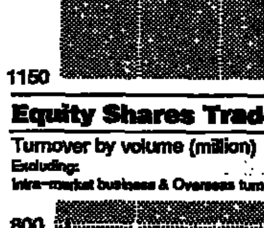
Mr Ross said: "We still find BICC very attractive, but we had a look at forecasts generally and decided that quite a few of the numbers were looking a bit ambitious."

Speyhawk rose 6 to 50p ahead of interim results due today. The shares recovered from worries earlier in the week about possible disappointing figures.

Greycoat improved 6 to 249p on relief that the final results had not been any worse than expected. The net asset value fell to 477p, from the previous year's 726p, close to analysts' forecasts.

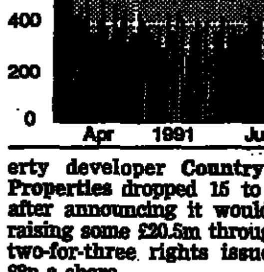
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 24.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (53).

BRITISH FUNDS (1) Treas. 2pc I.L. 1992 STORES (4) Casket, Etam, Mardin (A), Reject Shop, ELECTRICALS (4) Kewill Systems, Life Sciences, Misys, Wholesale Fttgs., ENGINEERING (1) Morris Ashby, FOODS (2) Parepak, M & W, INDUSTRIALS (10) Betterware Cons., Le Creuset, Ml. Labs., Metsec, Novo Nordisk B, Optical & Medical, Pacer Systs., Serco, Sidlaw, Stora B, INSURANCE (1) Oriel, LEISURE (1) Prism, MOTORS (1) Sanderson M & E, NEWSPAPERS (1) Metal Bulletin, PROPERTY (1) Green Prop., SHOES (1) Pittard Garnar, TEXTILES (1) Lyles (S), TOBACCOS (1) Rothmans B, OILS (2) Aberdeen Pet., Pict Pet.

NEW LOWS (88).

BRITISH FUNDS (2) Conv. 10pc 1996 B, Conv. 3½pc '61 Aft., BANKS (3) Gerrard & Natl., Union Discount, BUILDINGS (7) BMSS, Beazer, Conder, Crest Nicholson, Graham Wood, Turriff, Ward Hldgs., CHEMICALS (1) Novalal, STORES (3) Burton, Gent (SR), Usher (Frank), ELECTRICALS (4) INSTEM, Standard Platform, TGI, Trace Computers, ENGINEERING (2) Lee (Arthur), Robinson (Thos.), FOODS (1) Matthews (B), INDUSTRIALS (13) ADT, Apollo Watch, Armour Tst., Beckenham, Bridport-Gundry, Cosalt, EIT, Gieves, Hadleigh Inds., Jourdan (T), Nu-Swift, Savage, Stormgard, INSURANCE (1) Heath (CE), LEISURE (3) Anglia TV, TV-am, Whitegate Leis., PROPERTY (10) Bredero, Brit. Land (Jersey) 8½pc Cv. Bds., Compco, Est. & Agency, Grt. Portland, Hambro Countrywide, Land Securities, MEPC, Merivale Moore, Scot. Metropolitan, SHOES (1) Stylo TEXTILES (1) Alloh TRUSTS (3) Drayton Cons., Murray Ventures, Nat. Home Loans, OILS (4) Aran Energy, Bula Res., Exp. Co. Louisiana Wrrnts., Do. Ser. A Cv. Prf., MINES (1) Monarch Res.

FINANCIAL TIMES STOCK INDICES

	June 27	June 26	June 25	June 24	June 21	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	83.43	83.46	83.54	83.66	83.72	79.69	85.68 (19/2)	82.17 (9/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.81	92.80	92.82	92.82	92.86	88.19	94.64 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1912.0	1901.5	1921.6	1921.1	1947.5	1887.5	2014.5 (5/4)	1806.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	197.5	198.2	195.8	200.7	203.8	176.1	209.1 (11/6)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2452.5	2437.3	2461.2	2468.3	2487.5	2355.7	2546.3 (5/4)	2054.8 (16/1)	2546.3 (5/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1147.11	1142.01	1155.88	1155.32	1160.66	-	1192.11 (5/6)	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.96	4.98	4.93	4.94	4.86	4.91				
●Earning Yld % (full)	8.71	8.76	8.67	8.70	8.59	10.53				
●P/E Ratio(Net)(c)	14.12	14.04	14.18	14.14	14.32	11.19				
SEAQ Bargains 4.45pm	25,726	26,190	25,107	22,421	23,004	22,288				
Equity Turnover(£m)†	-	858.71	703.90	883.21	726.46	761.42				
Equity Bargains†	-	25,029	23,765	22,489	22,941	21,924				
Shares Traded (ml)†	-	408.4	325.5	287.2	340.5	373.2				

Ordinary Share Index, Hourly changes — Day's High 1913.8 — Day's Low 1901.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1903.2	1904.2	1908.2	1911.8	1909.3	1910.4	1910.1	1910.2	1913.0

FT-SE 100, Hourly changes — Day's High 2454.4 — Day's Low 2441.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2442.7	2443.6	2447.9	2452.4	2450.5	2451.0	2450.3	2450.0	2454.2

FT-SE Eurotrack 200, Hourly changes — Day's High 1149.03 — Day's Low 1146.58

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1146.51	1146.93	1148.01	1147.02	1147.82	1148.08	1148.49

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. c Nil 13.83.

GILT EDGED ACTIVITY

Indices*	June 26	June 25
Gilt Edged Bargains	70.1	79.1
5-Day average	78.4	84.9

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
British Land	157	278		IMI	800	229	+1	Rentokil	288	322	+1	Unilever	730	743	+3
BP	6,400	320½	+1½	ICI	885	1233	+7	Reuters	310	778	+5	United Biscuits	758	382	
British Steel	2,400	127¾	+1	Inchcape	615	531		Rolls Royce	3,600	155	+2	Utd. Newspapers	679	341	
British Telecom	6,400	353	+4	Kingfisher	1,800	472		Rothmans	1,000	980	+45	Water Package Uts.	1	£2720	+10
Bunzl	325	88	+1	Ladbroke	3,400	253	+3	Ryl Bk Scotland	940	179	+1	Wellcome	836	855	
Burmah Castrol	370	939	+1	Land Securities	475	482	-3	Royal Insurance	849	426	-4	Welsh Water	643	395	+1
Burton	3,900	46	-4	Laporte	194	531	+2	Saatchi	2,800	17½	+¼	Wessex Water	608	389	
Cable & Wire.	1,300	524	+4	Legal & General	787	412	-2	Sainsbury	1,300	349	+5	Whitbread 'A'	1,000	482	
Cadburys	1,000	346	+5	Lloyds Abbey	354	387	-2	Scottish & New.	406	374	+1	Williams Hldgs.	1,200	390	+1
Calor Group	880	224	+3	Lloyds Bank	1,500	324	-1	Scot. Hydro-Elect.	4,700	110½		Willis Corroon	2,100	309	+11
Carlton Comms.	641	486	-2	LASMO	448	340		Scottish Power	10,600	104		Wimpey	186	172	-1
Coats Viyella	2,400	149	+6	London Elect.	35	180	-1½	Sears	9,500	74	-½	Yorkshire Elect.	608	220	-4½
Comm. Union	654	484	+3	Lonrho	1,200	246	+8	Sedgwick	1,100	266	+4	Yorkshire Water	654	293	+3
Cookson	1,100	169	+5	Lucas	1,400	144	+2	Seeboard	83	181	-2				

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

EQUITY index futures edged higher yesterday, encouraged by the approaching close of the current stock market account. The end of the second quarter also deterred fund managers.

The decision by the Bundesbank not to raise German interest rates cheered the market but provided little fresh buying interest. Institutional investors remained on the sidelines.

The June FT-SE 100 index contract spent much of the session below the cash index. This indicated the unease over any stock market gains. But more importantly, it reflected some nervousness before the expiry of the June contract later this morning.

Derivatives specialists said contrary to earlier expectations, there was unlikely to be any strong move initiated by the futures market ahead of the June expiry.

There were suggestions that the large positions built up in the options market could generate hedging activity in futures.

The June FT-SE options also expire today and dealers said the large open interest in the 2,450 puts could prompt buying of futures if the June futures contract dips below that level.

The June FT-SE closed at 2,453, up 21, just below the high of the day. September finished at 2,487, up 20.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
99⅞	98½	Treas 10pc Cv '91 ‡‡	99⅞	.....	10.01	11.28
100⅛	99⅜	Exch. 11pc 1991	99⅞	.....	11.00	[illegible]
98¾	96⅝	Treas. 8pc 1991	98¾	.....	8.09	[illegible]
101½	100⅜	Treas 12¾pc 1992‡‡	101⅛	.....	12.60	[illegible]
99⅞	97⅜	Treas 10pc 1992	99⅞	.....	10.04	[illegible]
98⅞	95⅞	Treas. 8pc 1992 ‡‡	98⅞	.....	8.15	[illegible]
100⅞	98⅞	Treas 10½pc Cv 1992‡‡	100	.....	10.50	[illegible]
95⅞	91⅞	Treas. 3pc 1992	95⅞	.....	3.15	[illegible]
102⅞	100⅞	Exch. 12¼pc '92	101⅞	.....	12.02	[illegible]
104⅞	102⅞	Exch 13½pc 1992	103⅞	.....	13.05	[illegible]
97⅞	94	Treas 8¾pc 1993	96⅞	.....	8.51	[illegible]
99⅞	97⅞	Treas 10pc 1993‡‡	99⅞	.....	10.06	[illegible]
104⅞	102⅞	Treas 12½pc 1993‡‡	103⅞	-⅛	12.04	[illegible]
93⅞	89⅞	Funding 6pc 1993‡‡	93⅞	+⅛	6.44	[illegible]
108⅞	105⅞	Treas 13¾pc 1993‡‡	106⅞	.....	12.88	[illegible]
96	92⅞	Treas. 8½pc 1994	95⅞	.....	8.88	[illegible]
111⅞	108⅞	Treas 14½pc 1994‡‡	109⅞	-⅛	13.26	[illegible]
109	105⅞	Exch 13½pc 1994	107⅞	-⅛	12.59	[illegible]
99⅞	96⅞	Treas. 10pc Ln. 1994‡‡	98⅞	-⅛	10.11	[illegible]
106⅞	103⅞	Exch. 12½pc 1994	105⅞	.....	11.88	[illegible]
96⅞	93⅞	Treas 9pc 1994‡‡	95⅞	.....	9.39	[illegible]
106⅞	102⅞	Treas 12pc 1995	104⅞	-⅛	11.50	[illegible]
89	82⅞	Exch 3pc Gas 90-95	86⅞	.....	3.48	[illegible]
100⅞	96⅞	Exch. 10¼pc 1995	99⅞	-⅛	10.33	[illegible]
109⅞	105⅞	Treas 12¾pc 1995‡‡	107⅞	-⅛	11.86	[illegible]
113⅞	109⅞	Treas. 14pc '96	111⅞	-⅛	12.59	[illegible]

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
98¾	92⅞	Treas 9¾pc 2002	94⅞	+⅛	10.32	10.60
100⅞	94⅞	Treas 10pc 2003	95⅞	+⅛	10.42	10.57
108¼	102	Treas. 11½pc 2001-04	104	+⅛	11.06	10.80
58⅞	53⅞	Funding 3½pc '99-04	56⅞	+⅛	6.20	9.33
109⅞	104⅞	Exch. 12pc 1998	106⅞	.....	11.29	10.73
97⅞	92⅞	Treas 9½pc 1999‡‡	94⅞	-⅛	10.02	10.50
111⅞	105⅞	Exch. 12¼pc 1999	107⅞	.....	11.38	10.75
102⅞	97⅞	Treas. 10½pc 1999	99⅞	+⅛	10.59	10.63
101⅞	95⅞	Conversion 10¼pc 1999	97⅞	.....	10.48	10.63
94⅞	89⅞	Conversion 9pc 2000‡‡	91⅞	+⅛	9.83	10.49
116⅞	110⅞	Treas. 13pc 2000	112⅞	+⅛	11.59	10.84
100⅞	94⅞	Treas 10pc 2001	96⅞	+⅛	10.37	10.59
36⅞	36⅞	Do. 10pc 2001 B●	36⅞	.....	10.37	10.60
118⅞	113⅞	Treas. 14pc '98-01	114⅞	+⅛	12.18	10.94

Index-Linked

1991 High	1991 Low	Stock	Price £	+ or -	(1)	(2)
109⅞	105⅞	Do. 2½pc '13 (89.2)	107	-⅛	4.22	4.38
117⅞	113⅞	Do. 2½pc '16 (81.6)	114⅞	-⅛	4.19	4.34
113⅞	109⅞	Do. 2½pc '20 (83.0)	110⅞	-⅛	4.15	4.29
95⅞	91⅞	Do. 2½pc '24‡‡ (97.7)	92⅞	-⅛	4.11	4.24

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1990: 130.3 and for May 1991: 133.5.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
102	95⅞	African Dv Bk 11¼ Ln 2010	98⅞	+⅛	11.34	11.37
97⅞	91⅞	Asian Dev Bk 10¼pc Ln 2009	94⅞	+⅛	10.88	10.99
112⅞	105⅞	Int-Am Dev Bk 12½pc 2003	108⅞	+⅛	11.55	11.20
92⅞	86⅞	Do. 9¾pc Ln 2015	88⅞	+⅛	10.98	11.06

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50	.....	3.50	f7.00
50	50	Do. 6pc 28 Stb. Ass.	50	.....	3	f6.00
50	50	Do 4pc Mixed Ass.	50	.....	2	f4.00
55	55	Hung. '24 Ass.	55	.....	2.75	f3.57
128	120	Hydro Quebec 15pc 2011	123	+¼	12.89	11.87

Continued on next page

APPOINTMENTS

Chemring Group chairman

■ Mr Philip Billington, chief executive of CHEMRING GROUP, has been promoted to group executive chairman, succeeding Mr Ian Fairfield who retires on December 31 but remains a non-executive director and special consultant to the chairman. Mr David Evans, a group director, and chief executive of Chemring, is promoted to group managing director from January 1.

■ Mr J.C. Corcoran retires as chairman and chief executive officer of GENERAL ACCIDENT's US subsidiaries, and as a director of GA and GAFLAC, on August 31. He will remain on the US companies' boards. Mr Walter Farnam, president and chief operating officer, will join the GA and GAFLAC boards on August 12 and become chairman and chief executive officer of the US companies on September 1.

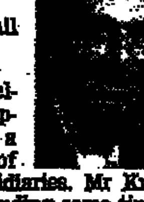
■ SIMON ENGINEERING has incorporated the two divisions of Robertson, which it acquired earlier this month. The petroleum and minerals division joins Simon-Horizon to form the petroleum technology group, industrial services division. The group will be headed by Mr John Greener. The environmental division will form the environmental services group - eastern hemisphere, in Simon's environmental division, and will be headed by Mr Martin Briant-Evans.

Baltic chairman

■ Mr Peter Tudball, managing director of Idwal Williams & Co, managers of Graig Shipping, has been appointed chairman of the BALTIC EXCHANGE, succeeding Mr Paul Vogt of Vogt & Maguire.

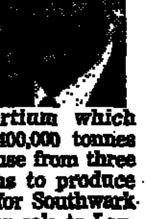
■ TGI has appointed Mr Nigel Hamilton as chief executive. He was chief executive of Anglo Nordic Holdings, and was previously a European director of Black & Decker, and managing director of Sunbeam International.

■ Mr David Knight (pictured), assistant general manager, group services, at YORKSHIRE BANK, has been promoted to deputy general manager from July 1. He is a director of Yorkshire Bank Retail Services, Yorkshire Bank Development Capital, and a number of other subsidiaries. Mr Knight will be spending some time at National Australia Bank's headquarters in Melbourne during the next few months.



■ MARKET RUN-OFF SERVICES, an NRG Amsterdam associate, has appointed Mr Sergio Bruna as director in charge of marketing and the reinsurance division. He was with 7 Provinces. Mr Bob Ashcroft has retired from the board but remains a consultant.

■ THE ENERGY & TECHNICAL SERVICES GROUP has launched Associated Energy Projects (AEP) which will specialise in incineration and power generation. Mr Gerald Atkins (pictured) has been appointed deputy chairman of the new company. He is a former chairman of the Combined Heat & Power Association, and is chairman of the SELCHP consortium which will incinerate 400,000 tonnes of municipal refuse from three London boroughs to produce district heating for Southwark and electricity for sale to London Electricity. AEP has a 49 per cent holding in SELCHP.



■ Mr Noel Hinton, who has been with the TAKEOVER PANEL since April 1984, becomes a deputy director general from July 1.

■ Mr Alexander Maslov has been appointed director - USSR of the European Bank for Reconstruction and Development, London. He has resigned as chairman and managing director of the MOSCOW NARODNY BANK, the Soviet-owned British bank based in London. He is succeeded as chairman by Mr Alexander Semikoz from September 1. Mr Semikoz has served as deputy chairman in the London head office and its Singapore branch, director and representative in its Moscow office and, previously, director for trade and finance in London.

■ BLUE STAR LINE, shipping division of the Vestey Group, has appointed Mr David Habgood as managing director.

■ Mr Bryan Gregory has been appointed to the JOHN LAING group executive. He is chairman of the building division.

Mr Stephen Cooke (pictured), chief executive of Gerrard Vivian Gray, has been appointed to the board of GERRARD & NATIONAL HOLDINGS.

LONDON SHARE SERVICE

AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
31⅞	20⅞	Abbott Laboratories	31¼	–¼	$1.00	–	1.9
385p	257p	Allegheny & W 1c	306p	.....	30c	–	5.8
10½	667p	Amdahl 5c	910p	+5	10c	–	0.6
41	25¼	Amer. Cyanamid $5	38⅞	–½	$1.50	–	2.3
17⅞	9⅞	Amer. Express 60c	14⅞	–⅛	92c	–	3.8
23⅞	15¼	American T. & T. $1	23⅞	–⅛	$1.32	–	3.4
38⅞	32½	Ameritech $1	35¼	+⅛	$3.40	–	5.7
24	12⅞	BankAmerica $1⅞	21⅞	–⅛	$1.20	–	3.3
34¼	20⅞	Bankers N.Y. $1	30½	–⅞	$1.52	–	9.5
29⅞	24¼	Bell Atlantic $1	28½	.....	$2.36	–	4.9
31¼	25	BellSouth Corp.	29¼	+½	$2.68	–	5.4
11¼	6⅞	Bethlehem Steel $8	10⅞	–⅛	40c	–	2.3
1839p	1046p	Bowater Inc.	1765p	–12	$1.20	–	4.2
9½	4½	Brunswick 75c	8½	–⅛	44c	–	3.1
54	37⅞	CPC Intnl. 25c	52½	+⅞	$2.00	–	2.3
852p	420p	California Engy	708p	.....	–	–	–
50	28¼	Campbell Soup 15c	45¼	.....	$1.16	–	1.5
12⅞	5⅞	Chase Manhattan $12½	11¼	.....	$1.20	–	6.4
8⅞	5½	Chrysler $6¼	8½	.....	60c	–	4.1
10⅞	5⅞	Citicorp $1	9⅞	.....	$1.00	–	6.3
25	21⅞	Colgate-Palmolive $1	22⅞	–⅛	$1.06	–	2.7
845p	438p	Cont'l Bank Corp $4	704p	–24	$1.00	–	8.9
21⅞	13⅞	Dana Corp. $1	20½	+⅛	$1.60	–	4.6
1056p	203p	Data General	902p	+5	–	–	–
22	12⅞	Dial Crop. $1.5	21⅞	+¼	$1.40	–	3.9
29⅞	20¼	Dun & Bradstreet $1	29	.....	$2.16	–	4.4
39	24¼	Eaton Corpn. 50c	37¼	–½	$2.20	–	–
8¼	5½	Echlin Inc.	8¼	–⅛	70c	–	5.1
18¼	14⅞	FPL Group 1c	18⅞	–⅛	$2.40	–	7.7
29⅞	17⅞	Fluor Corp 62½c	27⅞	.....	32c	–	0.7
23¼	13½	Ford Motor $1	22⅞	.....	$1.60	–	2.6
46½	28⅞	Gen. Elect. 63c	45⅞	–⅛	$2.04	–	2.7
566p	270p	General Host Corp $1	475p	.....	34c	–	4.2
45⅞	20⅞	Gillette $1	21⅞	–⅛	62c	–	1.7
91p	31p	Gt American Bank $1	31p	.....	–	–	–
18¼	794p	Hasbro Inc 50c	17	.....	24c	–	0.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

For Scott. Hydro-Electric and Scottish Power see EQUITIES under LONDON RECENT ISSUES

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

For Trusthouse Forte see Forte

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

PRICES EXCLUDE ROAD TAX, DELIVERY AND NUMBER PLATES. PRICES CORRECT AT TIME OF GOING TO PRESS.

LONDON SHARE SERVICE

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LEISURE

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
492	155	Airtours 10p	453	.....	18.25	3.1	2.4	17.8
°108	73½	Allied Lds. 5p	99	.....	F4.75	3.5	7.1	6.2
265	256	Anglia TV	256	–1	9.20	2.4	7.9	7.1
31	7	Aussea 1p	19	+3	1.5	3.9	10.5	2.7
9	4¼	BBCE Hldgs 5p	5	.....	–	–	–	–
178	123	Barr & W.A.T. 'A'	158	.....	9.75	1.6	8.2	10.2
685	425	Boosey & Hawkes	655	.....	16.4	2.7	3.3	13.1
49	24	Border T.V.	42	.....	2.1	1.1	6.7	18.8
88	17	Brent Walker 10p	28	+1	5.0	–	23.8	–
28	4	Do 1pc Cv Cm Rd Pf £1	12	.....	6.0	–	–	–
55	43	[illegible] 10p	51	.....	2.1	1.8	5.5	11.9
343	183	Campari Int. 20p	340	.....	11.0	2.9	4.3	9.3
208	134	Capital Radio 2½p	180	.....	5.25	2.9	3.9	11.8
507	350	Carlton Comms 5p	466	–2	†14.1	2.4	4.1	12.9
81	61	Do. 6.5p Prf 5p	75	–1	6.5	–	11.6	–
253	168	Castle Comms. 5p	229	–2	8.5	1.7	5.0	15.3
655	480	Central ITV	638	.....	28.5	1.4	6.0	15.6
158	120	Chiltern Radio 10p	143xd	.....	†4.8	2.6	4.5	11.0
88	39	Chrysalis	78	.....	±2.0	–	‡	–
49	31	Cityvision 5p	32	.....	1.0	7.0	4.2	4.2
6	3	Classic Th'tres h0.20	6	.....	–	–	–	–
468	361	Compass Group 5p	407xd	.....	†10.35	2.8	3.4	14.2
1243	908	Euro Disney Fr10	1165	+15	–	–	–	–
30	9	European Leis. Ir25p	12½	+½	1.7	2.2	18.1	2.1
45	22	Ex Lands 10p	33	–3	–	–	–	–
47	20	Expedier 20p	23	.....	1.0	2.7	5.9	6.1
563	405	Fairline Boats 10p	490xd	.....	21.0	4.1	5.6	5.8
276	188	First Leisure	257	.....	†5.05	2.6	2.6	17.6
253	195	GWR Group 20p	233	–1	†6.0	3.2	‡	12.1
75	62	Grampian TVA 10p	65	.....	4.1	♦	8.4	♦
8	6	Greenwich Comm. 1p	6	.....	–	–	–	–
63	33	HTV Ord	40	.....	3.75	1.2	12.5	9.2
145	55	Hi-Tec Sports	137	.....	5.0	2.9	4.9	9.3
4½	2½	Nat'l Media Comm. 1p	2½	.....	–	–	–	–

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

1991 High	Low	Stock
4½	2	Abaco Grp. 5p
100	78	Allied London 10p
95	75	Do. 5¼pc Cnv Rd Pf £1
		For Anglo-Park see Anglo St. James
49	11	Anglo St. James 35p
90	80	Arcadian Intl
106	66	Asda Property 20p
85	60	Do 5¼pc Cnv Pf £1
32	18	BDA Hldgs. 10p
48	30	BHH Group 50p
68	45	Baker Harris Saunders 10p
71	56	Barlows 10p
433	325	Billon (Percy)
68	51	Bolton Grp. 5p
85	48	Bourne End Prop.
150	115	Bradford Prop. 5p
88	63	Brederro Props.
94	51	Britannia Grp. 5p
330	255	British Land
£113	£100	Brit. Land 8½pc Cv
188	151	Brixton Estate
48	35	Burford Hldgs 1p
18	9	Cabra Ests.
368	240	Capital & Counties
95	77	Do 5¾ pc Prf £1
135	110	Cap. & Reg. Prop.
325	225	Cardiff Prop 20p
640	475	Chesterfield
95	70	Do. 5.25pc Cv Cm Pf £1
59	44	Christie Grp 2p
160	105	City Site Estates
60	27	Clarke Nicholls
92	32	Clayform Props 5p
9	2	Do. Warrants
775	600	Conrad Hldgs 20p

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administration costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (●) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the *FT Managed Funds Service*.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

[illegible]

FT MANAGED FUNDS SERVICE

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Edinburgh Fund Mngrs PLC

Exempt Funds

	Bid Price	Offer Price	+ or −	Yield Gross
American June 26	150.7	163.1	−7.9	1.53
Managed June 26	142.7	148.0	−2.3	3.89
Japan June 27	120.4	123.7	−0.4	0.08
Sm Jap Cos June 28	603.7	628.3	−1.4	0.88

Fidelity Investment Services Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Mngd Pens P'folio	127.9	132.1	−0.20	3.74

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Am Exempt	£474.40	481.40	−3.11	1.56
Con Exempt	£127.69	130.56	−1.18	3.93
Jap Exempt	£488.49	498.37	−9.57	0.78
Pacific Exempt	£102.65	104.82	+0.18	3.10
Contl Euro Exempt	£97.81	99.75	.....	2.22
Indexed Exempt June 27	£123.08	126.11	−2.74	3.16
Amer Indexd Exempt June 27	£108.14	106.79	−1.39	2.81
Japan Indexd Exempt June 27	£66.25	67.57	+0.23	0.63
Euro Indexd Exempt June 27	£97.28	99.245	−1.31	2.84
P'fic Indexd Exempt June 27	£100.44	102.65	−1.05	2.22

Funds in Court*

	Bid Price	Offer Price	+ or −	Yield Gross
Capital June 19	497.29	500.94	.....	2.45
Gross June 19	176.55	177.97	.....	10.96
High Yield June 19	290.78	293.12	.....	7.03

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Pensions Mngd	51.75	52.82	+0.03	3.99

INVESCO MIM Management Ltd

Exempt Funds

	Bid Price	Offer Price	+ or −	Yield Gross
Intl Mngd P'Folio	1229.0	1326.0	.....	−
Mngd Pens (Acc)	67.5	72.0	.....	−

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Property Jan 3	£2360.0	2475.0	.....	6.00
Inc Gth Prp Apr 16	£1325.0	1400.0	.....	7.20

Lazard Investors Ltd

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or −	Yield Gross
Life Managed Fd	104.8	110.3	-0.1	–
Pension Managed Fd	101.5	106.8	-0.1	–
Life Deposit Fd	107.6	113.3	....	–
Pension Deposit Fd	112.9	118.9	+0.1	–

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Cautionary	111.4	117.3	+4.6	–
Managed Growth	140.8	148.3	+5.9	–
Managed Opportunity	143.6	151.2	+6.1	–
NFMC Target Financial	100.1	105.4	-0.3	–
Pension Funds				
Managed Cautionary	121.7	128.2	+4.8	–
Managed Growth	149.0	156.9	+6.1	–
Managed Opportunity	143.9	151.5	+6.1	–
NFMC Target Mngd Pens	1499.4	1578.4	-7.5	–

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Harvester Pension Funds				
Managed	160.6	169.1	.....	–
UK Equity	165.3	174.1	....	–
Overseas Equity	140.6	148.0	....	–
Fixed Interest	141.8	149.3	....	–
Property	127.9	134.7	....	–
Index Linked	146.5	154.3	....	–
Deposit	157.5	165.8	....	–
With Profits (B)	129.2	136.0	....	–

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	346.4	364.7	+0.3	–
UK Equity	429.9	452.6	+0.7	–
Overseas Eq	347.7	366.1	-0.1	–
Americas	284.5	299.5	+0.4	–
Far East	377.9	397.8	-2.2	–
Property	190.7	200.9	+0.1	–
Fixed Int	257.1	270.7	-0.1	–
Indexed Gilt	153.8	162.0	....	–
Deposit	182.4	192.0	....	–
Pension Fund (Accum Units)				
Managed	492.4	518.4	-0.1	–
UK Equity	572.9	603.1	+1.0	–
Overseas Eq	579.9	610.5	-2.4	–
Americas	370.8	390.4	-0.2	–
Far East	627.0	660.6	-5.5	–
Property	241.2	254.0	+0.1	–
Fixed Int	314.4	331.4	....	–
Indexed Gilt	169.1	178.0	....	–
Deposit	255.9	269.4	....	–
NPI Pensions Management Ltd				
Managed Fund	1095.6	1115.2	....	–

Prices June 3 Next dealing July 1

Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 622200

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	70.9	74.6	....	–
Stock Market Mngd Fund	70.0	73.7	-0.1	–
Equity Fund	76.8	80.9	+0.1	–
International Fund	64.0	67.4	-0.3	–
European Fund	65.2	68.6	-0.3	–
North American Fund	74.1	78.0	-0.1	–
Pacific Fund	70.6	74.4	-0.4	–
Property Fund	81.6	85.9	....	–
Fixed Interest Fund	57.5	60.5	....	–
Index linked Sec Fund	61.3	64.6	....	–
Deposit Fund	70.0	73.7	....	–
NUAM Retirement Plans				
Mixed Fund	77.5	81.6	-0.1	–
UK Ordinary Share Fd	89.1	93.8	....	–
International Fund	68.2	71.8	-0.4	–

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or −	Yield Gross
Initial Equity	148.0	156.5	(z)	–
Accum Equity	212.0	223.5	-0.5	–
Accum Managed	222.0	234.5	-0.5	–
Accum Five Star	170.0	179.5	–	–
Accum World	123.5	130.5	(z)	–
Accum Lifetime	107.9	107.9	-0.1	–
Pens Acc Equity	227.5	240.0	-0.5	–
Pens Acc Managed	277.0	292.0	-1.0	–
Pens Acc Intl	213.0	224.5	-1.0	–
Pens Acc Deposit	199.5	211.0	(z)	–
Pens Acc Five Star	186.5	196.5	-1.0	–

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or −	Yield Gross
UK Equity Acc	220.2	232.3	+0.6	–
UK Fixed Int Acc	171.7	181.2	–	–
Intl Equities Acc	178.5	188.3	-0.8	–
UK Managed Acc	171.4	180.8	+0.2	–
Property Acc	224.2	236.5	....	–
Money Acc	129.5	136.7	–	–
Special Market Acc	141.1	148.9	....	–
Japan Equity Acc	106.1	112.0	-0.7	–
North American Acc	108.4	114.4	-0.4	–
Pacific Acc	97.3	102.7	-0.4	–
Technology Acc	124.0	130.9	-0.8	–
Nat Resources Acc	62.2	65.7	+0.5	–
European Acc	102.2	107.9	....	–
Residential Prop Acc	96.2	101.5	....	–
Swiss Equities Acc	35.1	37.1	-0.2	–
Hong Kong Acc	66.3	70.0	-0.3	–
UK High Inc Eq Acc	71.5	75.5	....	–
Int Fixed Interest Acc	57.0	60.2	....	–
Int Managed Acc	56.9	60.0	-0.2	–
HIP Managed Acc	116.5	122.8	-0.5	–
HIP Managed II Acc	99.2	104.6	-0.1	–
HIP Managed III Acc	105.8	111.6	....	–
Total Investment Bond				
UK Equity Initial		149.9	+0.4	–
UK Fixed Int Initial		117.1	–	–
Intl Equities Initial		120.7	-0.6	–
UK Managed Initial		116.9	+0.1	–
Property Initial		154.0	....	–
Money Initial		88.8	....	–
Special Market Initial		109.7	....	–
Japan Equity Initial		82.5	-0.5	–
North American Initial		84.3	-0.3	–
Pacific Initial		75.6	-0.4	–
Technology Initial		96.5	-0.5	–
Nat Resources Initial		48.4	+0.4	–
European Initial		91.8	....	–
Residential Prop Init		92.0	....	–
Swiss Equities Initial		33.6	-0.1	–
Hong Kong Initial		63.5	-0.3	–
UK High Inc Eq Init		68.4	....	–
Int Fixed Interest Init		55.2	....	–
Int Managed Init		55.3	-0.1	–
HIP Managed Init		113.4	-0.4	–
HIP Managed II Initial		97.8	-0.1	–
HIP Managed III Init		105.5	....	–
Broker Funds				
High Performance	72.4	76.3	-0.2	–
Towerhill Mngd Fd Acc	44.8	47.2	-2.5	–
YRA Executive Fd	94.6	99.7	-0.1	–
C Global Growth Acc	131.0	138.1	-0.6	–
L High Income Money Acc	140.3	147.9	–	–
IM Balanced		55.2	-0.1	–
H.F. Speculator Fd		131.5	-0.8	–
PEP Acorn II		111.6	-0.6	–
PEP Cautionary		100.0	....	–
AAFS Int Man Fund		121.9	-0.9	–
Andrews-Grant Inv Port		83.9	-0.4	–
Individual Pension Funds				
UK Equity Acc	241.2	254.5	+0.7	–
UK Fixed Interest Acc	218.0	230.0	....	–
Intl Equities Acc	229.4	242.0	-1.4	–
UK Managed Acc	186.7	196.9	+0.1	–
Property Acc	199.9	210.9	–	–
Money Acc	162.4	171.4	....	–
Special Market Acc	223.7	236.0	+0.7	–
Japan Equity Acc	168.3	177.6	-1.1	–
North American Acc	133.4	140.8	-0.5	–
Pacific Acc	182.0	192.0	-0.8	–

Royal Heritage Life Assurance Ltd—Contd.

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Provident Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Reliance Mutual

Royal Heritage Life Assurance Ltd

Norwich Union Life Insurance Soc.

OFFSHORE INSURANCES

CMI Insurance Co Ltd—Contd.

ECU Futures Plc

	Bid Price	Offer Price	+ or −	Yield Gross
ECU Omega Funds		150.9	+4.0	–
ECU Reprint		122.0	-1.9	–

Edinburgh Money Management Ltd
41a Charlotte Square, Edinburgh EH2 4HQ 031-226 1244

Fairmount Financial Services Ltd

Hambros Fd Mgrs (CI) Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

MANAGEMENT SERVICES

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	Bid Price	Offer Price	+ or -	Yield Gross
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$765.22			–
Fixed Income Shares	$807.48			–
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Mid/J Growth	$10.18		-0.08	–
Yamaichi ISS Fund	$7.60		-0.06	–
Yamaichi CB Plus Fund	$8.09		–	–
Thai Inv Fund	$30.30		-0.04	–
Yamaichi OTC Equity Ltd	$9.75		+0.06	–

IRELAND (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GAM Fund Management Ltd (a)						
89 Kildare Street, Dublin 010 353 1760 630						
GAM Universal US Bfr Acc	$–		108.73			–
GAM Universal US Bfr Inc	$–		108.73			–
GAM Universal DM Acc	DM–		119.87			–
GAM Universal DM Inc	DM–		119.87			–
MI Global Asset Mangmt Co Ltd "MI Trusts"						
MI Global Dollar	$–		0.95	1.02	+0.01	–

IRELAND (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Bank of Ireland Unit Managers Ltd				
Global Sc...	$9.35	9.64		–
Equity America	$11.72	12.44		–

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
John Govett – Contd.						
Far East Equity	5½	$10.79	10.79	10.90	-0.05	1.0
US Smaller Cos	5½	$12.05	12.05	12.15	-0.05	1.0
European Equity	5½	[illegible]	13.91	14.05	-0.09	2.0
UK High Income	5	£4.78	4.78	4.80	–	10.75
UK Equity	5½	£4.68	4.68	4.73	-0.05	3.0
Initial charge may alter for sales in other jurisdictions						
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street, St. Helier, Jersey. 0534 76029						
Stlg Fixed Int	5½	£1.134	1.134	1.203	[illegible]	10.05
Offshore High Yield	5½	£1.408	1.413	1.469	–	12.80
Global Equity Fund	5½	$13.89	13.89	14.86	-0.02	0.73
European Equity	5½	[illegible]	18.43	19.71	-0.09	0.90
UK Growth (I) Fund	5½	£4.514	4.577	4.895	-0.02	2.86
Nth American Eqty	5½	$9.808	9.808	10.470	[illegible]	0.50
Far Eastern Eqty	5½	$10.35	10.52	11.25	-0.06	0.00
International Mngd	5½	£10.64	10.64	11.38	-0.05	0.38
Sterling Managed	5½	£10.68	10.68	11.38	+0.02	9.35
US Dollar Managed	5½	$12.93	12.93	13.78	–	6.02
INVESCO MIM International (Jersey) Ltd						
PO Box 271, St Helier, Jersey 0534 73114						
Jersey Gilt (z)	5¼	[illegible]	0.1674	0.1764	–	9.35
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 27561						
Lloyds Tst. Gilt	2½	£9.356	9.373	9.618	[illegible]	11.23
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm and pound steady

THE DOLLAR was generally firm and sterling was steady after officials in Washington and London suggested that the recession in the US and Britain is coming to an end. The D-Mark was little changed against its partners in the European exchange rate mechanism, but lost ground to the dollar, as the German Bundesbank decided to leave official interest rates unchanged, despite disappointing data on inflation.

Mr Robert Forrestal, president of the Federal Reserve Bank of Atlanta, said the US recession appears to be in its final stages and that "most of the conditions that should lead us to recovery are in place."

Figures released yesterday on US personal income and spending tended to reinforce this view. Income rose 0.5 per cent in May, compared with 0.1 in April, while spending rose 1.1 against 0.4 per cent. The rise in income was in line with expectation but consumption was expected to be only 0.9 per cent up on the month.

Profit taking brought the dollar down from a peak of DM1.8025, but it finished firmer on the day, closing at DM1.7940 in London, compared with DM1.7850 previously. It also rose to SFr1.5490 from SFr1.5435 and to FFr6.0875 from FFr6.0600, but eased to Y138.05 from Y138.30. The dollar's index climbed to 67.7 from 67.5.

Sterling weakened against the dollar, but was otherwise steady after Mr Norman Lamont, chancellor of the exchequer, and Mr John Maples, Treasury economic secretary, told parliament in London there are signs that the British recession is coming to an end and that recovery will begin in the second half of this year.

Mr Lamont also said that British inflation is falling by all measures. He added that the government has no reason to revise its forecast of 4.0 per cent inflation by the second half of 1991, and that "as inflation falls we have greater flexibility on interest rates."

At the London close sterling had fallen 65 points to $1.6330 and had declined to Y225.50 from Y226.75, but was unchanged at SFr2.5300, while rising to DM2.9300 from DM2.9275 and to FFr9.9400 from FFr9.9350. Its index was steady at 89.7. The pound remained the third weakest currency in the ERM, above the French franc and bottom placed Danish krone.

The D-Mark held around the middle of the ERM, but traded nervously after yesterday's Bundesbank council meeting left German credit policies unchanged, and after Mr Theo Waigel, German finance minister, said he could not exclude the re-introduction of withholding tax on investment earnings. Asked about a ruling by the German Federal Constitutional Court Mr Waigel said "I have to read the court's decision exactly before I can answer the question."

Mr Karl Otto Pöhl, Bundesbank president, responded to a sharper than expected rise in inflation by saying "we do not react breathlessly to one change in an indicator."

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 27	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.864	-3.57	4.95	62
Italian Lira	1538.24	1528.15	-0.66	1.88	37
Belgian Franc	42.4032	42.2747	-0.30	1.52	19
Dutch Guilder	2.31643	2.31207	-0.19	1.40	14
D-Mark	2.05586	2.05219	-0.18	1.39	17
Irish Punt	0.767417	0.767332	-0.01	1.22	5
Sterling	0.696904	0.700383	0.50	0.71	-10
French Franc	6.89509	6.96649	1.04	0.17	-52
Danish Krone	7.84195	7.93689	1.21	0.00	-51

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Jun 27	Latest	Previous Close
£ Spot	1.6335-1.6345	1.6380-1.6390
1 month	0.76-0.74pm	0.81-0.79pm
3 months	2.02-1.99pm	2.09-2.06pm
12 months	5.72-5.62pm	5.90-5.80pm

Forward premiums and discounts apply to the US dollar

POUND SPOT - FORWARD AGAINST THE POUND

Jun 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6270 - 1.6355	1.6325 - 1.6335	0.75-0.73cpm	5.44	2.03-2.00pm	4.94
Canada	1.8635 - 1.8685	1.8640 - 1.8650	0.47-0.39cpm	2.77	1.15-1.04pm	2.35
Netherlands	3.2925 - 3.3100	3.3000 - 3.3100		2.04		1.89
Belgium	60.10 - 60.45	60.30 - 60.40	15-11cpm	2.58	35-24pm	1.96
Denmark	11.2990 - 11.3400	11.3150 - 11.3250		2.12		1.63

Six-month forward dollar 3.53-3.48cpm

EXCHANGE CROSS RATES

Jun 27	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.633	2.930	225.5	9.940	2.530	3.305	2185	1.865	60.35	1.428
$	0.612	1	1.794	138.1	6.087	1.549	2.024	1338	1.142	36.96	0.874
DM	0.341	0.557	1	76.96	3.392	0.863	1.128	745.7	0.637	20.60	0.487
YEN	4.435	7.242	12.99	1000.	44.08	11.22	14.66	9690	8.271	267.6	6.333
F Fr.	1.006	1.643	2.948	226.9	10.	2.545	3.325	2198	1.876	60.71	1.437
S Fr.	0.395	0.645	1.158	89.13	3.929	1	1.306	863.6	0.737	23.85	0.564
H Fl.	0.303	0.494	0.887	68.23	3.008	0.766	1	661.1	0.564	18.26	0.432
Lira	0.458	0.747	1.341	103.2	4.549	1.158	1.513	1000.	0.854	27.62	0.654
C$	0.536	0.876	1.571	120.9	5.330	1.357	1.772	1172	1	32.36	0.766
B Fr.	1.657	2.706	4.855	373.7	16.47	4.192	5.476	3621	3.090	100	2.366
ECU	0.700	1.144	2.052	157.9	6.961	1.772	2.314	1530	1.306	42.26	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100

FINANCIAL FUTURES AND OPTIONS

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% *

	Close	High	Low
Sep	94.84	94.84	94.77
Dec	95.11		

Estimated volume 470 (706)
Traded exclusively on APT

9% NOTIONAL ECU BOND ECU 200,000 100ths of 100%

	Close	High	Low	Prev.
Sep	98.67	98.70	98.20	98.29
Dec	98.57			98.29

Estimated volume 430 (587)
Previous day's open int. 1485 (1410)

THREE MONTH STERLING * **£500,000 points of 100%**

	Close	High	Low	Prev.
Sep	89.43	89.44	89.33	89.35
Dec	89.76	89.76	89.67	89.69
Mar	89.91	89.90	89.84	89.84
Jun	89.70	89.70	89.64	89.64
Sep	89.43	89.43	89.38	89.38
Dec	89.34	89.34	89.30	89.30

Est. Vol. (inc. figs. not shown) 38363 (34607)
Previous day's open int. 114128 (113083)

THREE MONTH EURODOLLAR * **$1m points of 100%**

	Close	High	Low	Prev.
Sep	93.51	93.52	93.46	93.48
Dec	92.92	92.93	92.87	92.88
Mar	92.79	92.79	92.73	92.73
Jun	92.39	92.39	92.38	92.33

Est. Vol. (inc. figs. not shown) 2582 (3084)
Previous day's open int. 27564 (27486)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev.
Jun	2453.0	2455.0	2435.0	2432.0
Sep	2487.0	2491.0	2470.0	2467.0
Dec	2528.0	2518.0	2518.0	2508.0

Estimated volume 10099 (14811)
Previous day's open int. 37889 (36195)

FT-SE EUROTRACK 100 INDEX DM50 per full index point

	Close	High	Low	Prev.
Sep	1125.0	1134.0	1120.0	1132.0
Dec				

Estimated volume 259 (242)
Previous day's open int. 65 (0)

* Contracts traded on APT

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls Sept.	Calls Dec.	Calls Mar.	Puts Sept.	Puts Dec.	Puts Mar.
102	-	-	-	0.17	0.43	-
103	-	-	-	0.31	-	-
104	1.60	-	-	0.53	-	-
105	1.02	1.45	-	0.91	1.38	-
106	0.57	1.01	-	-	-	-
107	0.30	-	-	-	-	-
Open int	149,893	25,070	3,200	117,640	19,202	9,800

Estimated volume 55,508 Total Open Interest 324,805

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6330	1.6256	1.6129	1.5980	1.5756

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.6148	1.6156	1.6090	1.6198
Dec	1.5990	1.5990	1.5940	1.6042
Mar	-	-	-	1.5920

BASE LENDING RATES

	%		%		%
ABN Bank	11.5	Comm. Bk. of London Plc	11.5	McDonnell Douglas Bnk.	11.5
Adam & Company	11.5	Co-operative Bank	11.5	Midland Bank	11.5
Allied Trust Bank	11.5	Coutts & Co	11.5	Mount Banking	11.5
AIB Bank	11.5	Cyprus Popular Bk	11.5	NatWestminster	11.5
● Henry Ansbacher	11.5	Dunbar Bank PLC	11.5	Northern Bank Ltd	11.5
B & C Merchant Bank	11.5	Duncan Lawrie	11.5	Nykredit Mortgage Bank	12
Bank of Baroda	11.5	Equatorial Bank plc	11.5	Provincial Bank PLC	14
Banco Bilbao Vizcaya	11.5	Exeter Bank Limited	12	Roxburghe Bank Ltd.	12.5
Bank Credit & Comm.	11.5	Financial & Gen. Bank	12	Royal Bk of Scotland	11.5
Bank of Cyprus	11.5	First National Bank Plc.	14	● Smith & Williamson Secs.	11.5
Bank of Ireland	11.5	● Robert Fleming & Co.	11.5	Standard Chartered	11.5
Bank of India	11.5	Robert Fraser & Ptnrs.	12	TSB	11.5
Bank of Scotland	11.5	Girobank	11.5	UniBank plc	11.5
Banque Belge Ltd	12	● Guinness Mahon	11.5	● United Bk of Kuwait	11.5
Barclays Bank	11.5	● Hambros Bank	11.5	Unity Trust Bank Plc	11.5
Benchmark Bank	11.5	Hampshire Trust Plc	13.5	Western Trust	11.5
Brit Bk of Mid East	11.5	Heritable & Gen Inv Bnk.	11.5	Westpac Bank Corp.	11.5
● Brown Shipley	11.5	● Hill Samuel	11.5	Whiteaway Laidlaw	11.5
CL Bank Nederland	11.5	C. Hoare & Co.	11.5	Yorkshire Bank	11.5
Citibank NA	11.5	Hongkong & Shanghai	11.5		
City Merchants Bank	11.5	● Leopold Joseph & Sons	11.5		
Clydesdale Bank	11.5	Lloyds Bank	11.5		
		Meghraj Bank Ltd	11.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

No German move

THE BUNDESBANK did not react to a surprisingly large rise in inflation for the western part of Germany in June. Official interest rates were left unchanged at a central bank council meeting held in Berlin, but in Frankfurt call money touched the 9 per cent Lombard rate in nervous trading.

Dealers do not rule out a rise in the 6½ per cent discount rate and the Lombard rate at the the next council meeting on July 11, the last before the Bundesbank's summer recess.

The cost of living in the former country of West Germany rose 0.5 per cent in June, taking the year-on-year inflation rate up to 3.5 from 3.0 per cent, the highest level since April 1983. Market forecasts pointed to an annual inflation rate of about 3.2 per cent.

In London interest rates were little changed, but prices of short sterling futures rose on Liffe after the announcement of unchanged official German rates.

Three-month sterling interbank was quoted at 11$\frac{3}{16}$-11¼, compared with 11$\frac{5}{16}$-11¼ per cent and 12-month money was steady at 11-10⅞ per cent. September short sterling opened unchanged at 89.35 touched 89.44 before closing at 89.42.

Credit was in short supply on the cash market, prompting an offer of early assistance from the Bank of England. A day-to-day shortage of £1,150m was initially forecast, but this was revised to £1,100m at noon and to £1,150m in the afternoon. Total help of £1,054m was provided.

In early operations the authorities bought £133m bills outright, by way of £1m bank bills in band 1 at 11⅜ per cent and £132m bank bills in band 2 at 11$\frac{5}{16}$ per cent.

Before lunch another £242m bills were purchased, via £171m bank bills in band 1 at 11⅜ per cent; £3m Treasury bills in band 2 at 11$\frac{5}{16}$ per cent; and £68m bank bills in band 2 at 11$\frac{5}{16}$ per cent.

In the afternoon £389m bills were bought, through £75m Treasury bills in band 1 at 11⅜ per cent; £262m bank bills in band 1 at 11⅜ per cent; and £52m bank bills in band 2 at 11$\frac{5}{16}$ per cent. Late assistance of around £290m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £271m, with exchequer transactions absorbing £685m, a rise in the note circulation £105m and bank balances below target £90m.

UK clearing bank base lending rate 11.5 per cent from May 24, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Jun 27) 3 months US dollars		6 months US Dollars	
bid 6⅛	offer 6¼	bid 6$\frac{5}{16}$	offer 6$\frac{7}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	8½	One month	5.51	Three year	7.37
Broker loan rate	7¾	Two month	5.95	Four year	7.57
Fed.funds	5$\frac{13}{16}$	Three month	5.71	Five year	7.94
Fed funds at intervention	-	Six month	5.98	Seven year	8.19
		One year	6.30	10-year	8.31
		Two year	6.98	30-year	8.49

June 27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.85-8.95	8.80-8.95	8.85-9.00	8.90-9.05	9.00-9.15	9.00
Paris	9½-10⅛	9¾-9⅞	9¾-9⅞	9¾-9⅞	9¾-9⅞	9.25
Zurich	7¾-7⅞	7⅞-8¼	-	7⅞-8¼	-	-
Amsterdam	8.00-8.50	8.98-9.06	-	9.04-9.12	-	-
Tokyo	7$\frac{13}{16}$-8	7$\frac{13}{16}$-7$\frac{15}{16}$	-	7$\frac{13}{16}$-7$\frac{15}{16}$	-	-
Milan	10⅝-10⅞	11⅛-11⅜	-	11⅛-11⅜	-	-
Brussels	8.95-9.12	9¼-9⅛	-	9¼-9⅛	-	-
Dublin	10⅛-10⅜	10¼-10⅜	10⅜-10⅝	10¼-10½	10⅛-10⅜	-

LONDON MONEY RATES

Jun 27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12½	11⅝	11⅜	11¼	11⅛	11
Interbank Bid	11¼	11½	11¼	11⅛	11	10⅞
Sterling CDs	-	-	11½	11⅛	11$\frac{1}{16}$	10$\frac{15}{16}$
Local Authority Deps.	11⅝	11⅝	11½	11¼	11	10⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11½	11½	11¼	10⅞	-	-
Company Deposits	-	-	11⅜	11⅜	11⅛	10$\frac{15}{16}$
Finance House Deposits	-	-	11⅜	11¼	11⅛	10⅞
Treasury Bills (Buy)	-	-	11⅜	10¾	10⅝	-
Bank Bills (Buy)	-	-	11$\frac{5}{16}$	10$\frac{13}{16}$	10$\frac{9}{16}$	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	6.02	6.14	6.47	6.87
SDR Linked Dep. Offer	-	-	7¾	7¾	7$\frac{13}{16}$	8
SDR Linked Dep. Bid	-	-	7⅝	7⅝	7$\frac{11}{16}$	7⅞
ECU Linked Dep. Offer	-	-	9$\frac{15}{16}$	10$\frac{1}{16}$	10$\frac{3}{16}$	10¼
ECU Linked Dep. Bid	-	-	9$\frac{13}{16}$	9$\frac{15}{16}$	10$\frac{1}{16}$	10

Treasury Bills (sell), one-month 11$\frac{1}{32}$ per cent; three months 10$\frac{11}{16}$ per cent; six months 10$\frac{5}{8}$ per cent, Bank Bills (sell) one-month 11¼ per cent; three months 10¾ per cent; Treasury Bills; Average tender rate of discount 10.6877 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 28, 1991. Agreed rates for period July 24, 1991 to August 25, 1991, Scheme I: 12.50 p.c., Schemes II & III: 12.53 p.c. Reference rate for period June 1, 1991 to June 28, 1991, Scheme IV&V: 11.295 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 from June 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent, one-three months 10½ per cent; three-six months 10 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 8 per cent from May 28, 1991, Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,580 Set by HIGHLANDER

ACROSS

1 Used to shoot first, having arrived with artillery (6)
4 Accommodating top quality game on pitch (4-4)
9 Blue, minute flower (6)
10 A preparatory study into domestic employment (8)
11 Revue version goes to work on an egg (6)
12 She delivers food and swears it is cooked (8)
13 Railway without a rail (3)
14 Players given time for a break (6)
17 Victorian writer known as "Devil" (7)
21 Make foul pass (6)
25 Mostly feeble play on words (3)
26 Divine has spoken for actors (8)
27 Motorway madness is an illusion (6)
28 Clears of being disorderly in the open air (8)
29 Fitted to switch off automatically (3,3)
30 Gives another name to it – Lester is incoherent (8)
31 Classes need the facts on historical period (6)

DOWN

1 Less unconventional type of student (8)
2 Verbal instruction following damage created by raider (8)
3 Went for species found in long grass (8)
5 Is old pub using atmospheric pressure line? (6)
6 Circumstances are the key to opening on Sunday (6)
7 Tool king wrapped in absorbent cloth (6)
8 Being lecherous involves a risk with husband (6)
12 Leave without explanation for strike (4,3)
15 Pinch a drop (3)
16 Object close to boundary (3)
18 Half covered in mud, see funny position (8)
19 Use the apron: it's stagecraft (8)
20 Men die at derangement caused by mental condition (8)
22 A pretty sound business (6)
23 It is an advantage for the attack (6)
24 Stress particular pronunciation (6)
25 The soul is an afterthought in the old Church (6)

Solution to Puzzle No.7,579

WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices June 27

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
3900	Abitibi Pr	$15⅜	15⅜	15⅜	
23900	AgnicoEa	$5½	5⅜	5½	
6100	Air Cda	$9⅞	9¾	9⅞	
42400	Alberta En	$12⅞	d12⅝	12⅞	+¼
21300	AltaNtGas x	$13¼	13⅛	13⅛	
189400	Alcan Al	$24	23⅝	24	+¼
77200	Am Barr	$25¼	24⅞	25⅛	+¼
36600	Arco Cl 1	$13	13	13	
80700	Bk Montr'l	$34½	34¼	34¼	+⅛
139200	Bk Nova Sc x	$16¾	16½	16⅝	−⅛
21600	BC Sugar A	$15	15	15	
3000	BCE Dev	16	16	16	
98200	BCE Inc	$42	41¾	42	+¼
53000	Balmoral	15	13½	14	−1
4900	BGR A	$7¼	7⅛	7⅛	
16800	Bomb'dierB	$22⅞	22⅞	22¾	−⅛
119200	Bow Valley	$13⅝	13½	13⅝	+⅛
16200	BP Canada	$15	14⅞	15	−¼
16100	Bramalea	$7	6¾	6⅞	
13400	Brascan A	$18¾	18½	18½	−⅛
33900	Breakwater	53	50	53	+3
48400	BC Tel	$19⅝	19¼	19⅜	−¼
800	Bruncor x	$17¼	16⅞	16⅞	−⅛
3800	Brunswick	$7¼	7⅛	7¼	

INDICES

NEW YORK

DOW JONES	June 26	June 25	June 24	June 21	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2913.01	2910.11	2913.01	2965.56	3035.33 (3/6)	2470.30 (9/1)	3035.33 (3/6/91)	41.22 (2/7/32)
Home Bonds	94.06	94.07	94.23	94.31	95.09 (30/5)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1146.69	1143.86	1161.50	1190.59	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	197.81	197.25	197.12	197.81	220.89 (16/4)	197.12 (24/6)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2934.03 (2938.51*) Low 2879.25 (2887.97*)

STANDARD AND POOR'S	June 26	June 25	June 24	June 21	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	371.59	370.65	370.94	377.75	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	443.17	442.22	442.32	450.67	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	29.09	28.99	29.44	30.04	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	203.54	203.21	203.49	206.87	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	358.54	358.59	360.01	365.36	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	473.08	473.30	475.23	485.82	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	June 21	June 14	June 7	year ago (approx.)
Dow Industrial Div. Yield	3.07	3.03	3.05	3.67
	June 19	June 12	June 5	year ago (approx.)
S & P Industrial div. yield	2.80	2.79	2.73	2.93
S & P Indl. P/E ratio	18.85	18.91	19.34	16.87

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Pepsico	5,430,800	29⅞	+ ⅛
Hanson	5,197,200	17	+ ⅛
Boeing	4,359,600	51¼	− 2½
C & S/Sovran	3,027,800	22¾	+ 3¾
Philip Morris	2,534,500	64	+ ⅛
AT & T	2,374,600	38⅛	+ ⅛
Chrysler	2,254,900	14	− ⅛
Gen. Motors	2,143,200	40⅜	− ⅝
IBM	1,689,200	98⅞	− ¼
Citicorp	1,611,300	15¼	− ⅛

TRADING ACTIVITY

† Volume (Millions)	June 26	June 25	June 24
New York	186.830	155.450	137.700
Amex	11.347	12.319	10.321
NASDAQ	(u)	129.032	124.118
Issues Traded	2,039	2,036	2,036
Rises	688	614	298
Falls	856	889	1,327
Unchanged	495	533	411
New Highs	19	8	11
New Lows	39	28	34

CANADA

TORONTO	Jun 26	Jun 25	Jun 24	Jun 21	1991 HIGH	1991 LOW
Metals & Minerals	3181.36	3161.77	3162.36	3204.60	3284.18 (5/3)	2632.06 (9/1)
Composite	3481.13	3478.69	3478.77	3516.80	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1845.31	1838.72	(e)	1858.88	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (e) Closed. (u) Unavailable. * Corrected.

	June 27	June 26	June 25	June 24	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1500.9	1506.9	1499.8	1503.2	1558.3 (29/4)	1204.5 (16/1)
All Mining (1/1/80)	652.8	654.4	652.1	651.6	680.1 (29/4)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	494.32	504.29	504.89	508.68	534.81 (16/4)	398.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1159.86	1160.32	1155.93	1159.28	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	367.38	367.76	367.04	367.80	367.80 (28/6)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	971.9	986.5	985.9	996.8	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	470.32	473.42	471.44	477.06	494.95 (12/6)	394.88 (15/1)
CAC 40 (31/12/87)	1767.99	1760.52	1775.53	1775.63	1874.81 (11/6)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	701.04	706.51	712.29	711.25	717.43 (17/6)	578.48 (15/1)
Commerzbank (1/12/53)	1978.10	1991.6	2006.8	2007.4	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1666.09	1672.14	1691.47	1691.56	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3629.79	3634.64	3604.26	3569.54	3917.09 (20/5)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1362.54	1355.74	1354.63	1356.88	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	586.87	589.63	582.97	580.96	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	23643.03	23766.38	23987.42	23765.46	27146.91 (18/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1832.10	1847.84	1852.67	1844.59	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3252.93	3267.43	3254.17	3272.37	3423.45 (20/6)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	622.69	624.08	623.07	624.91	635.82 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	277.6	276.1	278.4	278.9	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	197.8	196.7	198.4	198.7	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	759.94	763.43	767.62	773.15	792.13 (4/6)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1042.32	1048.88	1024.68	1046.53	1183.49 (29/5)	582.64 (16/1)
SINGAPORE						
SES All-Singapore (2/4/75)	403.14	404.51	403.27	(c)	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1359.0‡	1372.0	1329.0	1326.0	1416.0 (10/6)	971.0 (25/2)
JSE Industrial (28/9/78)	3796.0‡	3804.0	3822.0	3865.0	3911.0 (20/6)	2829.0 (16/1)
SOUTH KOREA **						
Korea Comp Ex. (4/1/80)	602.61	597.60	595.21	593.05	697.62 (4/1)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	278.35	278.88	278.08	278.39	289.22 (18/3)	213.78 (14/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1130.2	1125.2	1123.6	1131.0	1137.8 (19/6)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	744.2	749.0	753.1	752.2	766.1 (31/5)	598.4 (14/1)
SBC General (1/4/87)	617.6	620.7	623.2	622.9	638.0 (31/5)	487.1 (14/1)
TAIWAN **						
Weighted Price (30/6/66)	5931.26	6023.18	5872.74	6090.19	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	766.00	769.49	749.82	754.49	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (S)	499.0*	489.3	499.8	499.1	529.2 (17/4)	439.1 (16/1)

**Saturday June 22: Taiwan Weighted Price 6132.73 Korea Comp Ex. 590.57.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 27 June 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Akai Electric	5.8m	1,310	+20	Nomura Secs	3.7m	1,690	-60
Mitsubishi Heavy	5.8m	700	-11	Casio Computer	3.7m	1,470	0
Nippon Steel	4.5m	410	-3	Kawasaki Steel	3.2m	405	-4
Hitachi	4.0m	1,100	+20	Toshiba	3.0m	730	-9
Chiyoda	3.8m	2,310	-10	NKK	2.7m	390	0

3:15 pm prices June 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19⅞	9¼	AAR Corp	0.48	0.03	15	202	14¼	14	14⅛	
18¾	14½	A L Labs A	0.16	0.01	17	486	16⅛	15¾	15⅞	-⅛
55½	40⅞	AMP Inc	1.44	0.03	19	2167	50⅞	48	50⅞	+2
68⅝	44¼	AMR				183281	60⅛	59¾	59⅞	+¼
2⅝	1¼	ARX			1	216	1⅝	1½	1⅝	+⅛
51¼	41½	ASA	3.60	0.07	14	829	u61½	51¼	51⅜	+⅛
64	39¼	Abbott Lab	1.00	0.02	22	4173	62½	61⅞	62	+⅛
14½	9⅞	Abitibi Pr	0.60	0.04	26	10	13⅝	13⅝	13½	
11⅞	10⅜	ACM Gvt In	1.26	0.12		130	10⅞	10¾	10⅞	+⅛
9¾	8¾	ACM GvOpp	1.01	0.11		23	9	8⅞	9	
9¼	8¼	ACM Gvt Sp	1.07	0.11		426	u9¼	9	9¼	+¼
11	9⅞	ACM Gvt Su x	1.28	0.12		367	10¼	10⅛	10⅛	
8¾	7⅝	ACM Man	1.01	0.12		191	8¼	8⅛	8⅛	
12⅞	11½	ACM Managd	1.37	0.11		182	12⅛	12	12	-⅛
7½	4¾	Acme Cleve	0.40	0.07	14	71	6	5⅞	6	+⅛
6	3½	Acme Elect			44	3	4½	4½	4½	
40	22¾	Acuson			21	1697	29⅝	29	29¼	+½
18½	14¼	Adams Expr	0.73	0.04	0	114	17⅞	17⅝	17¾	+⅛
20⅛	18	Adobe12Pf	2.40	0.13		89	18⅞	18½	18⅞	+⅛
9¼	6⅞	Adobe Res			19	203	7	6¾	6¾	-⅛
38⅛	18	Ad Micro				33	34⅞	34¼	34⅞	+⅜
14¼	4⅝	Ad Micro P	3.00	0.26	131	138	11¾	11⅝	11¾	+⅛
5⅛	2¾	Advest Grp	0.16	0.04	5	9	4½	4⅜	4⅜	-⅛
49⅛	33⅞	Aetna Lf	2.76	0.07	7	1070	41¼	40¾	41¼	+½
10⅝	6⅝	Affil A	0.24	0.03	36	1402	9	8¾	9	
20⅛	12	Ahmanson	0.88	0.05	10	1036	18¼	17⅞	18⅛	+⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

3:00 pm prices June 27

- X - Y - Z -

XBinx		28	1495	20¾	19¼	19¾	-1
XL Data		15	715	7¼	6⅞	7¼	+⅛
Xoma Corp		12	1980	25	23¾	24	-⅜
Yellow Fr	0.94	15	1519	31¼	30⅝	30¾	-⅞
York Rsch		16	2300	17¼	17	17⅛	-⅜
ZionsUtah	1.44	8	116	40¼	39½	40	-⅞

AMEX COMPOSITE PRICES

3:00 pm prices June 27

AMERICA

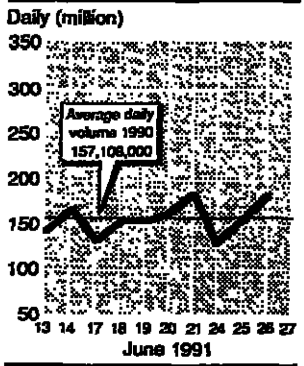
Equities make gains as sell-off comes to a halt

Wall Street

THE SELL-OFF on Wall Street was finally halted yesterday morning, when US equities posted solid gains in thin trading, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was 17.67 higher at 2,930.68, with advancing issues leading those declining on the big board by a ratio

NYSE volume



of four to three. The gains were reflected in the broadly based *Standard & Poor's 500*, which was 1.74 higher at 373.33 at 1 pm.

The Dow, which lost more than 54 points in the first two days of the week, added 2.90 on Wednesday to close at 2,913.01, thanks to a late burst of programme buying.

The Dow seems to have found support at the 2,890 level, but volume was too thin *yesterday morning to signify* a genuine rally.

News that Allied Signal would have a new chief executive in place by the beginning *of July spurred* active trading in the issue, which jumped $3⅞ to $33¼.

C&S/Sovran continued to climb in the morning, adding $1¼ to $24 after leaping $3⅞ on Wednesday on news that the bank has had merger talks with NCNB. Shares in NCNB eased $⅜ to $37⅞.

Beazer added $⅛ to $5⅝ after dropping more than $2 on Wednesday in anticipation of weak results for the fiscal year ending June 30.

Compaq Computer fell $1¼ to $30 after an analyst at Kidder Peabody cut 1991 earnings estimates for the company.

Browning Ferris, the second biggest US waste disposal company, lost $½ to $26⅜. The company expects profits from continuing operations in the second half to be lower than *the $1.68 a share in the same* period of 1990.

In the same sector, Waste Management, the biggest US waste disposal company, slid *$⅛ to $36¼.*

Among the most active blue chip issues, American Telephone & Telegraph inched $¼ higher to $38⅛, Philip Morris slipped $⅛ to $63½ and General Motors rose $⅜ to stand at $41⅛.

In the secondary market, strong first quarter earnings at SciMed Life Systems lifted the company's stock price by $11¼ *to $62½. SciMed, which makes* medical devices, turned in net income of 78 cents a share, compared with 45 cents a year earlier.

The prospect of only marginal profits gains in the fourth quarter depressed the share price of Seagate Technology, which slipped $⅞ to $8 by midsession.

Apple Computer fell $1 to $42 on reports that its expected pact with IBM had been postponed. On the New York Stock Exchange, IBM's issues eased $⅞ to $97¾.

Amgen climbed $4¾ to $115¼ on bullish comments from several analysts.

Canada

TORONTO stocks held steady in midday trade, as portfolio managers retreated at the approach of the end of the quarter.

The composite index eased 4.4 to 3,476.7. Declines led *advances by 180 to 161* on volume of 10.1m shares.

Monday's Canada Day holiday and next Thursday's Independence Day celebrations in *the US were expected to keep* markets quiet.

Among active shares, Petro-Canada was flat at C$12⅞, C$⅛ below its initial offer price earlier this week. Nova Corp fell C$⅛ to C$8⅜, and Royal Trust eased C$⅛ to C$9⅞. Novagold Resources rose 5 cents to 55 cents.

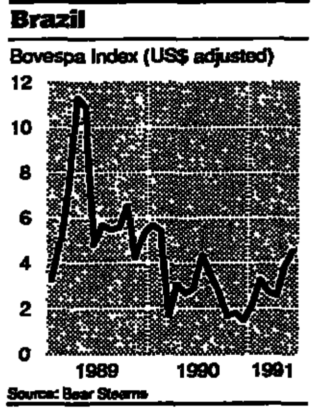
Rio and São Paulo try to block speculator's return

Victoria Griffith on the re-emergence of Mr Nahas, whose dealings triggered Brazil's worst-ever crash

BRAZIL'S stock markets are joining forces in an attempt to block the return of Mr Naji Robert Nahas, a big-time speculator whose dealings led to the country's *worst-ever stock market* crash.

Two years ago, Mr Nahas was one of Brazil's biggest speculators, especially in the *risky options and futures* markets. He financed his stock market purchases with money borrowed from banks. The crunch came in June 1989, when the São Paulo Stock Exchange (Bovespa) decided to impose restrictions on Mr Nahas's purchases. He was, therefore, forced to take a large part of his dealings to the Rio de Janeiro exchange.

Brazil



Source: Bear Stearns

Nahas: markets unstable

A couple of weeks later, the Rio and Bovespa stock market indices suffered a slight downturn. Mr Nahas's requests for further loans were refused, and the speculator stopped payment on cheques totalling $31m, sending share prices tumbling by more than 50 per cent in dollar terms in June 1989. The crash prompted the Comissão de Valores Mobiliares (CVM), Brazil's stock market watchdog, to implement new regulations for the futures and options market, including higher margins.

Mr Francisco de Souza Dantas, president of the Rio de Janeiro Stock Exchange, vowed to keep Mr Nahas out at all costs. "His entry would be extremely dangerous for the markets," said Mr Souza.

However, Mr Alvaro Vidigal, president of Bovespa, said last week that the exchanges could not legally prevent Mr Nahas from dealing. "The stock exchanges have no legal power to block Mr Nahas from buying or selling equities," said Mr Vidigal.

"We could probably block him from the futures and options market, but not the spot market."

Last Friday, the CVM attempted to tie Mr Nahas's hands by announcing a new stock market rule. The regulation says that anyone whose assets have been frozen by the court in bankruptcy proceedings is prohibited from operating in the stock markets. The announcement did not name Mr Nahas specifically. But since Mr Nahas had his assets frozen in 1989, he would automatically be affected by *the rule.*

"I believe this prevents the re-entry of Mr Nahas," said Mr Ary Oswaldo Mattos Filho, president of the CVM, "either *on his own account or through* third persons."

Mr Nahas himself scoffed at the new rule. "I can enter the stock market any time I want," he said. "Any assets I obtained after my assets were frozen in 1989 are mine to invest. The new rule is unconstitutional, and I could easily overturn it."

Brazilian legal consultants agree that Mr Nahas has a strong case, especially as he was never convicted of any wrongdoing for his 1989 dealings. Mr Nahas said he was even suing Bovespa for blocking his dealings on the market in 1989.

Market players say that Mr Nahas is currently operating in the markets through intermediaries, who buy and sell on his behalf. Mr Nahas denied this, saying that he has no interest in Brazilian equities at the moment. "The Brazilian stock markets are still very unstable," he explained. "I am waiting for them to tighten up the rules."

But Mr Nahas added that he *was not likely to hesitate for* long. "There is a very good chance I will decide to enter the stock markets in the near future," he said.

EUROPE

Spectre of withholding tax haunts Frankfurt

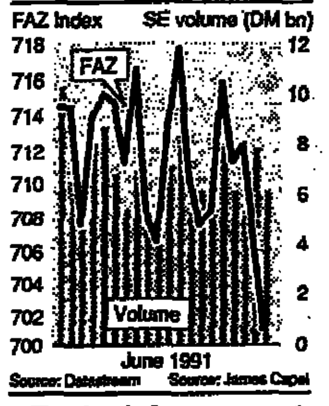
THE BUNDESBANK had been expected to provide the interest yesterday but, instead, comments on German withholding tax seized investors' attention, reviving memories of 1989's aborted attempt to introduce such a tax, *writes Our Markets Staff.*

FRANKFURT was relieved when the Bundesbank did not *raise interest rates, in spite of* Wednesday's inflation data from the state of Hesse. But share and bond prices weakened in the post-bourse on *statements by* Mr Theo Waigel, finance minister, that he could not exclude the reintroduction of a withholding tax on fixed-interest income or a rise in VAT to harmonise with the European Community.

The real-time DAX index closed 6.05 down at 1,666.09 after going as low as 1,659.36, while the *FAZ* index, calculated at midsession, eased 5.47 to 701.04. Volume fell to DM6.1bn from DM7.9bn.

Retailers, already under pressure *before the implementation* of consumer tax increases on July 1, were dealt another blow by the VAT fears. Kaufhof fell DM10 to DM508.

Germany



Source: Datastream Source: James Capel

The chemical sector was relatively strong. BASF rose DM1.10 to DM254.20 on dividend buying before it went ex dividend in the afternoon.

PARIS finished in the middle of the day's *18-point trading* range. The CAC 40 index rose 7.47 to 1,767.99, as activity in the retail sector boosted turnover to more than twice *Wednesday's FFr3bn.*

Euromarché, the supermarket chain, was requoted after its suspension on Monday, when Carrefour announced its takeover bid. The stock jumped FFr485 or 10.8 per cent to close at the offer price of FFr4,470 in heavy volume of 428,340 *shares. Viniprix, Euromarché's* majority shareholder and another of Carrefour's purchases, gained FFr330 or 13.9 per cent to the bid price of *FFr2,700 on 931,340 shares.*

Carrefour recouped part of its losses earlier in the week, adding FFr11 to FFr1,840, but still well below last Friday's *close of FFr1,967.*

Matra, the electronics group, rose FFr7.90 or 3.8 per cent to FFr216 after announcing 1990 net profits. The company out*lined plans to sell a 35 per cent* stake in Ufima, which specialises in car electronics.

MILAN fell in thin trading. The Comit index lost 2.76 to 586.87 in volume estimated at near Wednesday's *low L140bn.*

Insurers resumed their *downward trend after two days of recovery.* Ras dropped *L440* to L19,950 and Generali also shed L440 to L33,800.

Fiat fell L74 or 1.2 per cent to L6,260 but climbed back to *L6,285 after hours.* Shares controlled by Mr Carlo De Benedetti continued to show resilience, with Cir dropping only L2 to L2,948 while Olivetti rose *L40 to L3,950.*

HELSINKI declined on proposals to scrap distinctions between free and restricted shares. The Hex index lost 14.6 *or 1.5 per cent to 971.9,* while the index of free shares – which could lose current premiums – shed 2.5 per cent.

STOCKHOLM was lifted by the Germans' decision to keep interest rates unchanged. The *Affärsvärlden General index* rose 5.8 to 1,130.2.

The prospect of about SKr12bn flowing into the market shortly also lifted shares. Yesterday was the deadline for payment by Wallenberg group companies of Saab-Scania shareholders.

AMSTERDAM was lifted by a firm start on Wall Street, but trading was thin. The CBS Tendency index added 4.5 to 93.9. Velmac, the software company, rose 50 cents to Fl 24.80. After the close it warned that it expected considerably lower 1991 net profits.

MADRID's general index *rose 0.29 to 278.79 as turnover* grew to Pta12bn from Pta8bn. Urbis fell Pta75 or 4.3 per cent to Pta1,650 after announcing a change in strategy, a cut in *dividend to Pta50 from Pta75* and plans for a scrip issue before September.

ZURICH was worried by the talk of a German withholding tax. The Crédit Suisse index lost 3.4 to 536.9. VIENNA dropped 2 per cent to a three-month low. The bourse index shed 28.54 to 1,148.46.

FT-SE Eurotrack 100 - June 27							
Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1115.42	1116.80	1117.61	1118.85	1116.90	1114.65	1115.52	1116.92
Day's High 1118.18				Day's Low 1112.81			
Jun 26	Jun 25	June 24	June 21	June 20			
1114.79	1128.57	1126.07	1141.29	1131.17			

Base value 1000 (26/10/90)

ASIA PACIFIC

Nikkei closes lower after arbitrage unwinding

Tokyo

SHARE prices fluctuated in nervous trading yesterday, and the Nikkei average eventually lost ground on selling related to arbitrage unwinding, *writes Emiko Terazono in Tokyo.*

The Nikkei ended 223.35 or 0.9 per cent down at 23,543.03, after a day's low of 23,391.14 and a high of 23,834.78. Volume shrank to 230m shares from 300m, as the only activity came from dealers.

Declines outnumbered rises by 769 to 187, while 168 issues were unchanged. The Topix index of all first section stocks slipped 15.74 to 1,832.10, but in London the ISE/Nikkei 50 index edged up 2.75 to 1,380.13.

The Tokyo Stock Exchange's decision on Wednesday to tighten margin requirements on futures and options trading prompted some arbitrageurs to unwind positions. The TSE also decided to disclose arbitrage-related positions of brokerages, which should flag any potential volatility in the cash markets to investors.

Reports that US and UK authorities were making inquiries to the Japanese Finance Ministry, concerning the Japanese securities houses involved *in the compensation to* favoured clients scandal, discouraged investors.

A record 1,737 companies held general shareholders' *meetings yesterday. Reports of* company presidents apologising at the meetings for various scandals added to the market's depressed sentiment. Activity also declined on rumours that the bankruptcy of a large real estate company would be announced in the afternoon.

Securities houses continued to weaken. Nomura Securities fell Y60 to Y1,690 and Nikko Securities Y30 to Y880.

Chiyoda, the plant engineer, lost Y10 to Y2,310 on speculation that its price had been manipulated by brokerages. Nippon Yakin Kogyo dropped Y16 to Y804. Its price was also alleged to have been rigged. The Finance Ministry is investigating the allegations.

Nippon Carbon, which has been popular recently on rumours of speculative interest, receded Y8 to Y830 on meeting profit-taking. High-priced *small and* medium issues also retreated on profit-taking. Seven-Eleven Japan shed Y110 to Y8,140.

On the bright side, high-technology stocks were sought by domestic pension funds. Hitachi rose Y20 to Y1,100 and Sony Y70 to Y6,240. Fuji Photo Film gained Y50 to Y3,430 on buying by investment trusts and foreigners.

Akai Electric, a medium-sized audio maker, moved up Y20 to Y1,310 on heavy volume. Investors were encouraged by the company's projection of an 85 per cent increase in pre-tax profits.

Nippon Conlux, a vending machine parts manufacturer, advanced Y110 to Y2,090. Hopes of an upward revision in the company's profits, thanks to rising sales of magnetic card readers, triggered individual buying.

In Osaka, the OSE average dipped 195.07 to 26,531.75 on volume of 14m shares, down from 23m. Investors liquidated holdings in Rohm, the integrated circuit maker, which relinquished Y70 to Y2,700.

Roundup

THE WEAKNESS in Tokyo yesterday and in Europe on Wednesday hampered Asia Pacific markets.

AUSTRALIA slipped in quiet trading, depressed by falls on overseas markets. The All Ordinaries index lost 6.1 to 1,500.8 in turnover of A$218m, down from A$236m.

Tubemakers declined 11 cents or 5.6 per cent to A$1.90 after saying that 1991 profits would be 60 per cent down on last year. Australian National Industries firmed 2 cents to A$2.07 after Consolidated Press said it had no plans to reduce its 48 per cent stake in the engineering group.

NEW ZEALAND fell back after the previous day's rise, the Barclays index shedding 14.99 or 1 per cent to 1,425.97. Turnover was thin at NZ$8m, down from NZ$15.5m.

Block trades boosted volume in Ceramco, an industrial company with steel interests, to 1.1m shares. The stock slipped a cent to NZ$1.48.

TAIWAN lost ground on liquidity fears, after the government granted operating licences to 15 new banks. The weighted index fell 91.92 or 1.5 per cent to 5,931.26 in turnover of T$37bn, up from T$29bn.

Sentiment was also depressed by newspaper reports that Formosa Plastics Group had not decided on the location of the sixth naphtha cracking plant. Formosa Plastics fell T$2.5 to T$59.

SEOUL rose above the 600 *level on the composite index* in its fourth successive gain. The index added 5.01 at 602.61 in moderately active turnover of Won159bn, up from Won94bn.

KUALA LUMPUR's composite index eased 1.39 to 622.69. Volume of 37m shares, against 45m, was dominated by Nanyang Press, in which 1.4m shares were traded. The stock jumped 60 cents or 9.2 per cent to M$7.10 after Hume Industries, which is taking a 45 per cent stake, offered to buy the remaining Nanyang shares. Hume shed 25 cents to M$6.15.

SINGAPORE slipped below 1,500 on the Straits Times Industrial index, which closed 8.47 down at 1,494.12. Turnover decreased to S$78m from S$83m. HONG KONG also edged lower in light trading. The Hang Seng index lost 4.85 to 3,629.79 as turnover contracted from HK$912m to HK$737m.

MANILA weakened on profit-taking and fears of a further eruption by Mount Pinatubo. The composite index dipped 6.56 to 1,042.82.

SOUTH AFRICA

JOHANNESBURG ended easier after a mixed day. Golds drifted lower as world bullion prices lost momentum. The JSE all-gold index ended 22 down at 1,350 and the industrial index fell 8 to 3,796. The all-share index lost 21 to 3,292.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JUNE 26 1991								TUESDAY JUNE 25 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (70)	140.24	+0.8	126.82	122.60	130.15	121.63	+0.6	5.29	139.17	126.78	122.10	130.13	120.93	147.30	112.74	140.77
Austria (20)	185.06	−0.4	167.35	161.79	171.74	171.53	−0.9	1.59	185.74	169.20	162.97	173.68	173.14	222.37	167.00	259.61
Belgium (49)	127.44	+1.2	115.24	111.40	118.26	115.49	+0.5	5.11	125.94	114.73	110.49	117.76	114.92	151.20	121.73	151.33
Canada (115)	139.44	+0.3	126.09	121.89	129.39	115.31	+0.3	3.37	139.00	126.62	121.95	129.98	114.94	142.27	126.49	136.33
Denmark (37)	242.35	+1.0	219.16	211.87	224.90	226.86	+0.3	1.49	239.95	218.58	210.53	224.36	226.16	270.58	217.74	280.61
Finland (16)	100.61	+0.5	90.98	87.98	93.37	89.35	−0.1	2.73	100.08	91.17	87.82	93.58	89.40	125.15	90.61	134.20
France (114)	126.92	−0.1	114.77	110.95	117.77	120.65	−0.8	3.66	127.04	115.73	111.45	118.78	121.66	152.28	121.85	160.86
Germany (65)	109.45	+0.0	98.97	95.69	101.57	101.57	−0.8	2.20	109.45	99.71	96.04	102.34	102.34	125.35	102.43	134.03
Hong Kong (55)	152.21	+0.9	137.64	133.06	141.26	151.24	+0.8	5.12	150.89	137.45	132.38	141.09	150.01	161.77	119.62	135.61
Ireland (18)	143.98	+0.8	130.20	125.87	133.62	135.39	+0.1	3.77	142.84	130.12	125.32	133.56	135.21	182.46	132.88	189.82
Italy (77)	75.63	+2.1	68.39	66.11	70.18	75.15	+1.4	3.11	74.11	67.51	65.02	69.29	74.11	88.23	72.05	107.40
Japan (474)	130.14	+0.0	117.68	113.77	120.79	113.77	−0.3	0.74	130.10	118.51	114.14	121.66	114.14	146.97	118.35	146.52
Malaysia (68)	236.66	+0.4	214.01	206.89	219.62	253.34	+0.3	2.57	235.74	214.75	206.83	220.42	252.58	247.78	192.83	230.64
Mexico (15)	981.93	+0.8	887.95	858.42	911.25	3237.42	+0.8	1.99	974.35	887.59	854.87	911.05	3212.42	1079.72	534.45	506.11
Netherland (31)	132.97	−0.1	120.24	116.24	123.40	121.98	−0.9	4.39	133.14	121.28	116.81	124.49	123.05	145.73	125.70	141.98
New Zealand (13)	47.78	+1.2	43.20	41.77	44.34	44.08	+1.2	7.97	47.20	42.99	41.41	44.13	43.55	54.64	41.18	65.01
Norway (32)	192.66	+0.1	174.22	168.43	178.80	182.14	−0.5	1.61	192.41	175.28	168.82	179.91	183.07	223.24	162.24	235.85
Singapore (38)	195.95	+0.3	177.20	171.31	181.85	159.52	+0.3	2.13	195.35	177.95	171.39	182.65	159.07	208.25	151.63	204.85
South Africa (61)	229.61	+0.5	207.64	200.73	213.08	165.92	+0.0	3.31	228.40	208.07	200.39	213.56	165.85	236.46	173.00	172.24
Spain (55)	148.89	+0.8	134.64	130.17	138.17	126.73	+0.2	4.21	147.73	134.58	129.62	138.13	126.47	171.12	131.51	169.54
Sweden (26)	187.71	+0.8	169.74	164.10	174.20	179.37	+0.0	2.47	186.30	169.71	163.46	174.20	179.41	204.12	146.60	223.41
Switzerland (56)	89.27	+0.1	80.73	78.05	82.86	85.43	−0.5	2.24	89.18	81.24	78.25	83.40	85.87	100.67	82.17	105.31
United Kingdom (239)	159.68	−0.3	144.40	139.58	148.17	144.40	−1.0	5.06	160.18	145.92	140.52	149.76	145.92	167.44	156.27	167.50
USA (525)	150.27	+0.3	135.89	131.37	139.46	150.27	+0.3	3.23	149.87	136.52	131.49	140.14	149.87	158.24	125.95	143.52
Europe (837)	131.49	+0.1	118.91	114.95	122.03	120.65	−0.8	3.94	131.38	119.68	115.27	122.85	121.62	151.52	125.50	150.92
Nordic (111)	181.28	+0.8	163.93	158.48	168.24	164.79	+0.1	1.95	179.89	163.87	157.83	168.20	164.69	200.61	155.55	209.83
Pacific Basin (718)	131.00	+0.1	118.46	114.52	121.57	115.02	−0.2	1.11	130.87	119.22	114.83	122.37	115.30	145.92	117.86	145.82
Euro−Pacific (1555)	131.52	+0.1	118.94	114.97	122.05	118.19	−0.4	2.23	131.40	119.70	115.28	122.86	118.65	147.66	121.29	148.29
North America (640)	149.51	+0.3	135.20	130.72	138.77	147.92	+0.3	3.23	149.10	135.83	130.83	139.44	147.52	157.04	125.91	142.99
Europe Ex. UK (598)	114.10	+0.4	103.18	99.77	105.91	107.00	−0.3	3.13	113.69	103.56	99.76	106.32	107.36	129.80	108.85	139.40
Pacific Ex. Japan (244)	139.26	+0.7	125.93	121.76	129.25	125.13	+0.6	4.66	138.26	125.95	121.33	129.30	124.37	145.66	111.40	136.78
World Ex. US (1746)	133.29	+0.1	120.59	116.53	123.70	119.35	−0.4	2.29	133.14	121.28	116.82	124.49	119.78	148.16	122.32	148.33
World Ex. UK (2032)	135.92	+0.2	122.91	118.83	126.15	127.44	+0.0	2.37	135.62	123.54	119.00	126.82	127.47	145.77	120.06	143.36
World Ex. So. Af. (2210)	137.43	+0.2	124.27	120.15	127.54	128.77	−0.1	2.62	137.20	124.98	120.39	128.30	128.94	148.66	122.92	145.34
World Ex. Japan (1797)	143.50	+0.2	129.76	125.46	133.19	137.34	+0.0	3.55	143.16	130.41	125.62	133.88	137.38	152.83	126.69	146.42
The World Index (2271)	138.02	+0.2	124.81	120.66	128.09	129.09	−0.1	2.63	137.79	125.52	120.90	128.84	129.25	149.01	123.28	145.50

Latest prices were unavailable for this edition.